

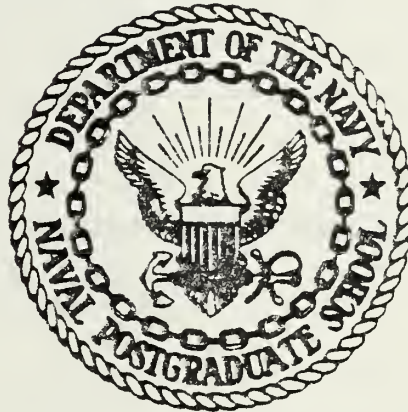
IMPACT OF THE CHANGING CONGRESSIONAL  
BUDGET FOCUS ON NAVY FINANCIAL MANAGE-  
MENT TECHNIQUES

Jon Philip Monson



# NAVAL POSTGRADUATE SCHOOL

## Monterey, California



# THESIS

IMPACT OF THE CHANGING CONGRESSIONAL BUDGET  
FOCUS ON NAVY FINANCIAL MANAGEMENT TECHNIQUES

by

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and

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September 1977

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Among the conclusions reached are that Congress will focus more on ends than in the past and will require a quantification of accomplishment in budget justification, and that Navy management is oriented toward the traditional concept of fiduciary control. Based on these conclusions, recommendations are made for developing the capability to meet the expanding desires of Congress for measures of accomplishment.



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on Navy Financial Management Techniques

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from the

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## ABSTRACT

This thesis is based on the premise that the focus of Congress in budgetary matters will determine the focus of line management in formulating and executing the budget. Based on this premise the focus of Congress is assessed in light of current legislative requirements, and hypotheses are developed concerning the impact a change in focus will have on management of the Operations and Maintenance, Navy appropriation.

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## I. INTRODUCTION

From 1789 until 1921 the federal budgetary process was fragmented and lacked coordination and direction toward national objectives. The Budget and Accounting Act of 1921 placed the responsibility for preparation and execution of the budget upon the President, making a unified federal budget possible for the first time.

Pursuant to this responsibility the central authority of the Chief Executive was systematically fine-tuned to such a degree that Congress became frustrated. As a result of this growing predominance of the Chief Executive in fiscal affairs of the nation, Congress passed the Congressional Budget and Impoundment Control Act of 1974 in an attempt to regain the control that had been passed to the President in 1921.

Although the budgetary process has evolved through the influences of numerous statutes, financial panics, wars, splintering of Congressional controls, and demands from reformers for economy and efficiency, Congress has steadfastly maintained its Constitutional authority over the budget by specifying the type of information required in the budget justification exhibits. It is, therefore, the basic premise of this thesis that the focus of Congress in budgetary matters will determine the focus of line management in formulating and executing the budget. Based on this premise it is the objective of the authors to assess the mood of Congress in light of current



legislation and to hypothesize how their mood will impact on the Navy's financial management techniques employed with respect to the Operation and Maintenance, Navy (O&MN) appropriations.

In order to place this premise in perspective, the authors will provide the reader with a better understanding of the evolution of the budgetary process and its impact on Navy financial managers. Chapter II will provide the historical evolution of the federal budget process. Chapter III traces the current developments of the DOD budgetary process and its usefulness in the current financial management arena. Chapter IV describes the current interpretation and application of the financial management doctrines based upon the results of questionnaires sent to claimants of the O&MN appropriation. Chapter V looks into the future and discusses projects which are intended to improve some of the deficiencies outlined in Chapter IV. Chapter VI presents conclusions drawn concerning the current mood of Congress and its effect on the Navy's financial management techniques.





## II. CONGRESSIONAL FOCUS IN THE BUDGET PROCESS

Congress has maintained varying controls on the federal purse strings as will be evidenced by reviewing a brief history of Congressional involvement in the budgetary process. The Congress maintained control of the budgetary process for the first 134 years, but both financial and governmental procedures became increasingly complex which led to the fragmentation of Congress and the expansion of the Executive's leadership role. In 1921 Congress ceded coordination of federal spending and revenue estimates to the Executive. The next fifty years saw further centralization of executive budget control and further erosion of the congressional budget-making power. The passage of the Congressional Budget and Impoundment Control Act in 1974 provided the basis for returning budgeting controls to Congress.

### A. FEDERAL BUDGET SYSTEM 1789-1796

The Constitution simply provides that "no money shall be drawn from the Treasury, but in consequence of Appropriation made by law; and a regular statement and account of the receipts and expenditures of all public money shall be published from time to time." [26] It appears that the framers of the Constitution intended that the power of the purse should be a vested prerogative of Congress. This intention is also related by James Madison who said that "the legislative department alone has access to the pockets of the people."



The requirements for financial reporting was established by the Treasury Act of 1789. Alexander Hamilton was appointed by President Washington to the position of Secretary of the Treasury. Hamilton's first federal budget was a "single executive type budget" separated into only four major line items (programs in today's parlance). He continued to submit the budgets in this manner until 1792 when Congress required that items of expenditure be specified in greater detail. [4] Hamilton complied with this request, but, in actuality, he continued to transfer funds between line items. Since Hamilton did not provide Congress with regular reports of Treasury expenditures, Congress seldom knew how the funds were being disbursed. [25]

During those first years the House of Representatives exercised its control through the Committee of the Whole. By 1796 Congress realized that it no longer controlled the budget but was merely ratifying the proposals of the Treasury. In order to regain its power, Congress established a temporary Committee on Ways and Means which was responsible for handling both appropriations and revenues; this marked the end of the Executive's influence on the government's finances. [7] Friction between the Executive and Congress over financial matters increased, resulting in the use of detailed appropriations to restrict executive discretion. [25]



## B. CONGRESS CONTROLS THE BUDGET 1802-1900

From 1802 to 1865, the House Committee on Ways and Means conducted comprehensive reviews of the state of government finances. During this period the Treasury performed merely a clerical function. The Secretary would classify the expenditure proposals and transmit them to the House and Senate committees which had control over both spending and revenue bills.

The onset of the Civil War precipitated monumental increases in financial activity. The burden on the committees became so great that, in 1865 in the House and in 1867 in the Senate, separate Committees on Appropriations were formed to coordinate the spending functions. Thereafter, there was no focal point at which spending and revenue decisions could be coordinated in Congress. Since the division of the Committees, observers have noted that Congressional treatment of the budget is "piecemeal"--a point that has been a major criticism by reformers in and out of Congress for a century. [10]

From 1880 to the turn of the century, the major financial problem facing Congress was the annual disposition of large surpluses brought in by tariffs. In 1888 Lord Bryce summarized American budgeting:

"Under the system of Congressional finance ... America wastes millions annually. But her wealth is so great, her revenue so elastic, that she is not sensible of the loss. She has the glorious privilege of youth, the privilege of committing errors without suffering the consequences." [6]





### C. CONGRESS AND BUDGET REFORM 1900-1921

The primary reason for budgeting is scarcity. The excess revenue situation of the nineteenth century delayed the necessity to develop a more rigorous budgeting process. Conversely, the scarcity of revenue after the Spanish American War was the main impetus for the re-assertion of the Executive's role. Two other contributing factors were President William H. Taft's activism and the era's progressive reform movement. [10]

In 1906 Congress passed the Anti-Deficiency Act which, despite some flaws, was a substantial budget reform bill. Under its provisions, expenditures in excess of appropriations were prohibited except for cases in which contracts or obligations had previously been authorized by law. The Act also provided for the apportionment of appropriations by monthly or other allotments. The Act allowed the head of the executive agency the discretionary authority to change the apportionment amount. The apportionment procedure was abused which caused the Act to fall short of its objectives of precluding the need for deficiency appropriations and insuring that expenditures were based on laws enacted by Congress.

The first step toward significant change in the budget process was taken by President Taft. In 1910 Taft appointed a Commission on Economy and Efficiency to look into the Federal budget process. On 27 June 1912, the Commission produced its major report, "The Need for a National Budget." The report subscribed to a process of Presidential presentation, Congressional enactment, and, finally, Presidential execution. [12]



The system could be summarized as a relationship of political cooperation, with the President taking the lead in the budgeting process. As could be expected, Congress did not warm to the proposed curtailment of its authority. In an Appropriations Act passed shortly after the appearance of the report, Congress emphatically specified that estimates should be submitted "only in the form and at the time now required by law, and in no other form and at no other time." [5]

On 26 February 1913, Taft submitted his budget to Congress containing estimates in the old format--submitted by the departments to the Secretary of the Treasury. He also submitted the budget in his new format, broken out by function and categories of expenditures. Five days later Taft was defeated by Woodrow Wilson, and Congress ignored the Taft budget. Although Taft's budget reforms were not adopted, the movement for change continued after his departure. Wilson and others in the Democratic Party favored budget reform. [9]

In 1916 the Institute of Government Research was formed and worked effectively for the establishment of a national budget. The movement for reform drew strong impetus from rising national spending, disturbingly frequent deficits, and acknowledged gross inefficiencies and waste in the national government. [7] Debate over the control of the budget continued until the passage of the Budget and Accounting Act of 1921.



#### D. THE BUDGET AND ACCOUNTING ACT OF 1921

With the Republican victory in the elections and with President Harding pledged to a "businesslike" administration, the passage of the Budget and Accounting Act of 1921 was assured. It would prove to be a durable reform as it incorporated almost every important concept sought by reformers for the past decade. It provided for the creation of a Bureau of the Budget to be headed by an appointee of the President with the power to draw up a unified national budget based on Presidential programs. The Act also created a General Accounting Office, an auditing arm of Congress. For the first time in history the budget process required formulation by the President, authorization by Congress, execution under direction of the President, and independent auditing by GAO as a means of Congressional review.

#### E. REFINEMENT OF BUDGET PROCEDURES AFTER 1921

Although the Budget and Accounting Act of 1921 promised a move to lump-sum appropriations, the appropriation structure for the next twenty-five years retained its previous line-item structure. Studies by the Hoover Commission in 1949 and 1955 recommended a consolidation of the appropriations. In 1949 it recommended that the Federal budgetary concept be re-fashioned as a performance budget. The purpose was to focus attention on work to be done rather than things to be acquired. The 1949 Commission also recommended to Congress that a complete survey of the appropriation structure be undertaken without delay. In the years that followed, over 250



appropriations were eliminated. In 1955 the Hoover Commission noted that the growing use of performance budgeting had resulted in the use of broader and more comprehensive appropriation classifications.

The Commission contended that a performance budget would assist Congress in examining budgetary requirements of the departments, both by making the requirements more self-explanatory and by clearing away the complicated appropriation structure. In effect, the reorganization plans which followed from the Reorganization Act of 1949, the National Security Act Amendment of 1949, and the Budget and Accounting Procedures Act of 1950 increased the President's authority in the federal budget process. [9]

#### F. CONGRESSIONAL BUDGET AND IMPOUNDMENT CONTROL ACT OF 1974 (PL 93-944)

After fifty years of operating under a budget system established by the Budget and Accounting Act of 1921, Congress recognized that the Constitutional control of the budgetary process was primarily in the hands of the President. The President had superior resources and support agencies to analyze the budget. Congress had a fragmented appropriation structure which caused delays in funding. There was an inordinate degree of reprogramming, and the increasing incidence of Presidential impoundment made it obvious that during the 50 years of reform Congress had lost control of the budget.

After ceding the coordination of the control of federal spending to the Executive Branch by the Budget and Accounting







Act of 1921, Congress was not organized to review the budget as a whole. Under these procedures each bill or budget proposal was reviewed piecemeal on its own merits, based largely on Administration proposals. No procedure existed for an overall review by the Congress of the balance between revenue and expenditures. Further, the President was able to modify the will of Congress by impoundment of funds appropriated by Congress. This inability of Congress to control the fiscal affairs of the Nation led to the enactment of the Congressional Budget and Impoundment Control Act of 1974 (PL 93-344).

The Act consists of two separate and distinct parts-- titles one through nine deal with budget matters and title ten deals with impoundment control. It was signed into law by former President Nixon on 12 July 1974. The nine titles dealing with budget matters contain the following major provisions:

1. To give Congress a better perspective of budget totals and fiscal policy requirements, the Act established separate House and Senate Budget Committees to study and recommend changes in the President's budget. Each committee is to be supported in this task by its own professional staff.

2. The Act established a joint non-political Congressional Budget Office within Congress to provide experts and computer facilities needed to digest and analyze the large body of information and data accompanying the President's budget.

3. The Act moved the start of the fiscal year from July 1st to October 1st. It established a "current services"



budget (projection of spending requirements under existing legislation and based on current economic assumptions) in addition to the President's budget which was expanded to contain estimates of expenditures for both (1) the programs for which funds were appropriated one year in advance, and (2) a five-year budget projection of all spending under existing programs.

4. After reviewing the President's budget proposals, the Budget Committees will draw up a concurrent resolution outlining a tentative Congressional budget. This initial budget resolution sets target totals for appropriations, outlays, taxes, the budget surplus or deficit, and the federal debt. Within these overall targets the resolutions will break down appropriations and outlays by the functional categories used in the President's budget, as well as by classifications used by the Appropriations Subcommittees for the appropriation bills.

5. To clear the way for prompt action on appropriations before the start of the new fiscal year, the Act requires that all bills authorizing appropriations be reported before the May 15th enactment of the first budget resolution. In order to give Congressional committees at least a full year to study requests for authorizing legislation, the Act requires the Administration to submit requests for authorizing legislation not later than May fifteenth of the calendar year preceding the start of the budget year for which the new authorization is requested.



6. As in the past, the basic appropriations' process still proceeds within the Appropriation Committees, but it is subject to the guideline of the targets from the initial budget resolution. The actual appropriations' process continues to follow the customary Congressional procedure, but all appropriations' bills have to be cleared no later than the seventh day after Labor Day.

7. By September fifteenth, after finishing action on all appropriations and other spending bills, Congress must adopt a second and final budget resolution that may affirm or reverse the budget targets set by the initial resolution. If separate Congressional decisions taken during the appropriations process do not fit the final budget resolution totals, the resolution must provide for a final reconciliation by changing the appropriation and/or entitlement amounts, revenues, or the public debt.

8. The Act requires the President's budget beginning with fiscal year 1979 to be on a mission basis that will provide information in terms of:

- "(1) a detailed structure of national needs which shall be used to reference all agency missions and programs;
- (2) agency missions; and
- (3) basic programs." [8]

9. The program review and evaluation capabilities of Congress are improved through such techniques as pilot testing, analysis of costs in comparison with benefits, and/or provision for evaluation after a defined period of time. The Act tasks the Comptroller General with assisting in the development of



legislative goals, objectives, and methods of assessing and reporting actual program performance in relation to such objectives and goals. The responsibility for the development of improved budget techniques is assigned by the Act to the Budget Committees. They are authorized to improve the information base required for determining the effectiveness of new programs, to improve analytical and systematic evaluation of the effectiveness of existing programs, to establish time limits for program authorization, and to develop means of providing non-economic as well as economic evaluation measures. [16]

As a result of the Congressional Budget Act of 1974, Congress now has the basis for assuming the leadership role in the fiscal affairs of the nation. Through the Act, Congress has tasked itself with two principal issues--establishing fiscal policy, and national spending and taxation priorities. To deal with the issues, Budget Committees were established to coordinate the budget; the Congressional Budget Office was established to assist in analyzing the budget, a tight schedule of review was established for the budget process, and the Comptroller General was given greater responsibilities in systematizing the flow of oversight information to Congress. [23]

Much has been written concerning the political consequences of the Act. There are those who questioned if the new budget process would be too demanding. During its first two years the revised budget procedure has worked. However, much







remains to be done, for the Act addresses more than the revision of the budget procedure. It further establishes the basis for reviewing the budget on a mission or output basis as contrasted with the previously used line-item or input basis. Thus, the basis for budget justification is also being challenged.

#### G. CONCERNS ABOUT THE BASIS FOR BUDGET JUSTIFICATION

For three decades since the Hoover Commission of the 1940's, concern has been expressed regarding the focus of Federal budgets. There has been a constant urging that the budget be reviewed in terms of basic purposes. Failure to adopt this approach allows agency activities to linger on and even to expand when they are obsolete, duplicative of others, or of declining importance.

Some members of Congress have increasingly voiced concern that the budget is not a useful document. They express frustration with the type of information included in the budget and the way it is presented. Members have described the review process as "piecemeal" and a "hodgepodge of unrelated elements."

Reports published by Congressional committees expand on these concerns. The Senate Appropriations Committee in the Report on the 1977 Department of Defense Appropriation Bill tasked the Congressional Budget Office to:

"Review the Operations and Maintenance justification material and examine alternative ways of displaying operations and maintenance funding requirements that would provide the Committee with: better insights into the relationship of funds requested and readiness levels;



better measures of what outputs are being purchased with operations and maintenance funds; and suggested revisions to the justification material that would portray financial requirements on a uniform service-by-service basis and in a more comprehensible fashion." [27]

The Committee, further, expressed its dissatisfaction with the Operations and Maintenance justification material and indicated a desire to experiment with a zero-base budgeting technique for 1978. To this end, the Committee selected the Operations and Maintenance, Navy appropriation in which to conduct the fiscal year 1978 experiment. The results of both actions are reported in the Senate Appropriations Committee Report on the 1978 Department of Defense Appropriation Bill. Concerning the Zero-Base Budget (ZBB), the Committee states:

"Overall, the Navy did an outstanding job in preparing the ZBB justification, although there were some shortcomings, as is to be expected in a pilot effort of this nature. However, for the first time in the Committee's recollection, a complete description of all Navy operating activities was provided for the Committee's review.

"The shortcomings relate to:

- inability to provide quantitative outputs for all programs
- lack of display of 'minimum funding level'
- lack of discussion of alternative funding levels
- no three-year track of programs, showing increases and decreases
- failure to prioritize program packages and establish criteria for ranking.

"Notwithstanding these problems, the Committee is pleased with the ZBB justification results. Accordingly, the Committee directs that the present Operations and Maintenance justification books be discontinued .... All services are to provide zero base justifications of Operations and Maintenance, including integrated Operation and Maintenance/Military Personnel requirements. These ZBB justifications shall include material that specifically addresses the shortcomings noted above." [28]

The Congressional Budget Office analysis of an improved justification format, which the Committee found to be helpful,



is included in its entirety in the Report. This analysis highlights those elements viewed by the Congressional Budget Office to be necessary in achieving a better justification format. The analysis begins:

"Ideally, any budget justification should show clearly how the input affects the output. This involves clear input categories, appropriately grouped; and a clear, reproducible link between inputs and outputs. In order to help decide on what input categories would be useful, it is first necessary to decide what outputs are of interest.... Once some set of output categories is assigned, it would become possible to start work on appropriate measures of effectiveness in them." [28]

The analysis notes that a basic aspect of the concept is that forces and support would have to be allocated to output categories or missions and some assessments of effectiveness impact made. The analysis notes:

"... The changes will occur at the same time as the introduction of zero-base budgeting and mission budgeting. Since the Administration and important parts of Congress are strongly interested in the former and since the Congressional Budget Act of 1974 requires the latter beginning in 1979, it appears there is at hand an opportunity to serve a variety of purposes, including improvement of Congressional grasp of support costs in DOD through better O&M justification." [28]

The CBO states that if the Committee wishes to pursue this concept, three issues need to be resolved with the Department of Defense:

1. agreement on mission structure,
2. agreement on the size of the unallocated residual of general support that would be allowed, and
3. agreement on the reasonableness of Defense algorithms for spreading support costs.

The Committee directed its staff and the Defense Department to work closely in implementing as many of these concepts as feasible in the fiscal year 1979 justification material.





## H. GENERAL ACCOUNTING OFFICE VIEW OF MISSION BUDGETING

As a result of similar Congressional and public section concerns over the budget and pursuant to the responsibility for improving the quality of Congressional budget information assigned to the Comptroller General by Title VIII of the Congressional Budget Act, the General Accounting Office has issued a report on mission budgeting.

On 27 July 1977 the General Accounting Office issued report PSAD-77-124 which is the first iteration from the legislative branch that attempts to define the term, "mission budgeting." [38] (This report is unique in another respect as it is an advocacy-type report, as opposed to the traditional reporting done by the General Accounting Office on established procedures.)

The report states that a mission budget assembles and groups various kinds of expenditures according to their end purposes; thus, mission budgets focus initially on what the money is for and why it is needed, and then on the present technique of how the money is spent. Through mission budgeting, Congress will be able to concentrate on Congressional policy review--what funds are for and why--and Congressional program oversight--how funds are being spent.

By use of the mission budgeting technique, the report advises that Congressional attention will be drawn to such policy matters as:

- "1. Clarifying agency mission purposes and deciding their relevancy to current national policy needs.





2. Assessing agency roles and responsibilities for the missions and approaches for carrying them out.
3. Raising or lowering mission funding based on
  - Resources required for missions versus their 'worth.'
  - The agency's current capability to perform the missions.
  - Priority needs of each mission." [38]

To accomplish the objective of Congressional policy review, the report points out that the first task must be clarification of agency missions, an area where there is divergent opinion between the legislative and executive branches. The second task would concentrate on unraveling the responsibilities for overlapping and redundant programs within agencies, i.e., air-to-air missiles development in the Department of Defense. Once these tasks have been accomplished, Congress would be better prepared to determine the relative importance of each mission and the priority of need in determining funding levels as opposed to relying on past cost trends.

In assessing this area of Congressional oversight, the report concerns itself with an application in the research and development area and does not address the discretionary costs where service and support are the primary outputs. The report does, however, develop a relationship between mission budgeting and zero-base budgeting. Zero-base budgeting is reported to be especially adaptable to the discretionary-type costs of the operations and maintenance appropriations and the management and support costs of the research and development appropriations. [17]



The report concludes that mission budgeting would produce benefits by eliminating dual budget systems wherein one is used for internal agency management and another is used for Congress. This procedure makes agencies accountable for end results achieved in terms of the mission performance and the clarification of agency missions (irrespective of whether the concept of mission budgeting is adopted). Accordingly, the Comptroller General recommended that Congress begin to experiment with the concept of carrying out its budget review, authorization, and appropriations functions through mission budgeting.

#### I. ZERO-BASE BUDGETING VERSUS MISSION BUDGETING

The underlying idea of zero-base budgeting is to examine the entire budget, not just the amount above current spending levels. Mr. Peter Pyhrr contends that a mission-like budget structure that organizes agency activities by end purposes, needs, and programs to satisfy them, can serve as a foundation for zero-base budgeting. [20] Under the concept, operating managers are faced with the following types of questions:

1. What purpose does the operation serve?
2. How can the effectiveness of the operation be measured?
3. What are the consequences of not performing the operation?
4. Are there better ways of performing the operation?
5. Using the best way, should spending levels be increased, decreased, or left as they are?



6. What is the relative rank or importance of each operation, so that those making the least contribution can be screened out?

A comparison of zero-base and mission budgeting is shown in figure 2-1, which was extracted from the GAO report on mission budgeting:

Figure 2-1

ZERO-BASE AND MISSION BUDGETING COMPARED

ZERO-BASE BUDGETING	MISSION BUDGETING (R&D)
<ul style="list-style-type: none"><li>• GROUPS ORGANIZATIONAL ACTIVITIES INTO OUTPUT ORIENTED TERMS ACCORDING TO GOALS AND OBJECTIVES TO BE ACHIEVED</li><li>• ENUMERATES ALTERNATIVE WAYS OF ACHIEVING THE OBJECTIVES AND PROBABLE COSTS AND BENEFITS OF EACH</li><li>• SELECTS BEST WAY USING COST/ BENEFIT ANALYSIS</li><li>• PROVIDES DIFFERING FUNDING LEVEL OPTIONS, PROBABLE COSTS AND BENEFITS OF EACH LEVEL, AND CONSEQUENCES OF ELIMINATING THE ACTIVITY</li><li>• RANKS ACTIVITIES ACCORDING TO THEIR COST/BENEFIT VALUE, SCREENS OUT LOW PRIORITY ITEMS</li><li>• PROVIDES TOP MANAGEMENT APPROVAL OF LEVEL OF PERFORMANCE. SUBSEQUENTLY, OPERATING MANAGEMENT IS ACCOUNTABLE FOR ACHIEVING THE EXPECTED PERFORMANCE</li></ul>	<ul style="list-style-type: none"><li>• GROUPS AGENCY ACTIVITIES INTO A MISSION END-PURPOSE STRUCTURE. THE STRUCTURE IS TIED TO MISSION NEEDS THAT ARE EXPRESSED IN TERMS INDEPENDENT OF ANY SOLUTION</li><li>• PROVIDES FUNDING TO CREATE AND EXPLORE ALTERNATIVE SOLUTIONS ABLE TO COMPETE WITHIN ESTABLISHED PROGRAM COST, TIME, CAPABILITY GOALS</li><li>• FUNDS A PREFERRED SOLUTION BASED ON MISSION BENEFIT/COST ANALYSIS AND TEST DEMONSTRATIONS</li><li>• (NOT CONTEMPLATED)</li><li>• ELIMINATES AGENCY ACTIVITIES WHICH DO NOT HAVE AN APPROVED MISSION NEED OR SUFFICIENT PRIORITY</li><li>• EXPOSES MISSION PERFORMANCE FUNDED IN BUDGET TO PUBLIC ACCOUNTABILITY AND PROVIDES CONGRESSIONAL CHECKS AT KEY PROGRAM TURNING POINTS</li></ul>

Both concepts concentrate on the same primary objective of evaluating mission/output accomplishment. The principal differences in the concepts are the analysis of various funding levels and the ranking of importance conducted under the zero-base concept.



## J. SUMMARY

After almost two centuries of varying degrees of central fiscal control by Congress and budget reviews being focused primarily on inputs, it appears that the mood of Congress is changing to focus on ends rather than means. This change in focus is still evolving, and the manner in which the change will manifest itself can not be determined at this time. Whether mission budgeting, zero-base budgeting or some other technique for budget justification and review is adopted, it does appear that Congress will be focusing on output. How well the Department of the Navy can meet the changing budgetary focus will be examined in the next chapter.





### III. EVOLUTION OF DOD BUDGET PROCESS

The rapid technological growth of the Department of Defense during the 1950's manifested radical changes in the budgetary system. As long as Defense was regarded as a necessary evil and little recognition was made of the social value of public expenditures on defense, the main function of budgeting was to keep spending in check. However, as the work and accomplishments of public agencies came to be regarded as beneficial, the focus on the budgetary process shifted to the economic problems of efficient allocation and the use of resources.

#### A. PLANNING, PROGRAMMING AND BUDGETING SYSTEM

Keynesian economics, with its macroanalytic focus on the impact of governmental action on the private sector, had its genesis during the unemployment economy of the Great Depression. In calling attention to the opportunities for attaining full employment by means of fiscal policy, the Keynesians set into motion a major restatement of the central budget function. From the utilization of fiscal policy to achieve economic objectives, it was but a few steps to the utilization of the budget process to achieve fiscal objectives. PPB traces its lineage to the attempts of the Keynesians to construct a science of finance predicated on the principle of marginal utility. It was hoped that such a science would furnish objective criteria for determining the optional allocation of public funds among competing uses. [15, 22]



Expenditure proposals should be considered in the light of the objectives they are intended to further, and, in general, final expenditure decisions should not be made until all claims on the budget can be considered. [25] PPB is the application of this rule to the budgetary process.

Mr. Charles J. Hitch was the driving force behind the budgetary reform referred to as the Planning, Programming and Budgeting System (PPBS). Prior to 1961 the Secretary of Defense was forced to massage the Defense Department's budget until it was within the "budget ceiling" established by the Bureau of the Budget. Since cuts were made without reference to defense plans as a whole, they often resulted in unbalanced programs with frequent duplication of effort among the services. This "budget ceiling" approach was neither effective nor efficient. [29] Each service tended to exercise its own priorities, favoring its own unique missions to the detriment of joint missions. Each was striving to lay the groundwork for an increased share of future defense dollars by concentrating on exotic new weapon systems and by protecting the overall size of its own forces even at the cost of readiness. [13] In Hitch's opinion, an economic approach would reconcile the conflicting views between those officers and officials responsible for defense planning and operations, and those officials and Congressmen whose primary interest is in economy. [14]

Mr. Hitch attributed the failings of the "one year budget" system to the fact that Congress could not be aware of the



full cost dimension of the proposed "new-start" projects because the attention of Congress was focused on only the next fiscal year. He was also critical of the separation of budgeting and military planning. Budget control was the responsibility of the Secretary of Defense while planning remained wholly within the services. The budget was prepared utilizing input terms while defense planning emphasized missions and forces. As a result of the lack of coordination, military requirements tended to be stated in absolute and often fiscally unrealistic terms while the budget process concentrated on the fiscal realities of the requirements and their impact on the DOD mission. [13, 29] This "one-year budget" did not relate resources to objectives, could not project the future implications of proposed actions, and did not distinguish between one-time investments and annual operating expenses.

Prior to 1961 there had been widespread recognition of the deficiency of the yearly budget system in relating military budgeting to planning. In 1953 the Rand Corporation issued a report suggesting a method for considering resource requirements in military planning--a method called "program budgeting." [18] The major importance of the Rand proposal was the concept of evaluating alternatives and tradeoffs with a view to illuminating possible preferred solutions. Between 1954 and 1961 there were other requests for "functional" or "mission oriented" budgets which were motivated by the desire to discover the most efficient and effective way for utilizing resources to achieve desired objectives.





The changes introduced in 1961 created a new emphasis on unified, longer-range financial and non-financial planning for the entire military establishment. Such planning is in terms of missions, forces, and weapon systems which are the actual products of defense expenditures, rather than in terms of the standard appropriation categories. Assistant Secretary of Defense (Comptroller) Charles J. Hitch envisioned the introduction of the programming function into the planning and budgeting process over a period of several years. This time frame was compressed by the Secretary of Defense, Robert S. McNamara, who set as an initial objective the formulation of the FY 1963 defense budget in terms of major programs and weapons systems.

According to Mr. David Novick, the planning-programming-budgeting system is made up of five major elements:

- "1. A program structure in terms of missions, forces, and weapon and support systems.
2. The analytical comparison of alternatives.
3. A continually updated five year force structure and financial program.
4. Related year-round decision making on new programs and changes.
5. Progress reporting to test the validity and administration of the plan." [19]

This system was designed to enable the Department of Defense to develop its objectives and goals precisely and carefully; to evaluate each of its programs to meet these objectives, weighing the benefits against the costs; to examine alternative means of achieving these objectives; to shape its





budget request on the basis of this analysis, and justify that request in the context of a long-range program and financial plan.

This PPB system is the process by which the Department of Defense establishes, maintains, and revises its Five Year Defense Program (FYDP) and Budget. The FYDP defines the force levels for future years by mission and resource requirements in dollars and number of personnel; thus, the programming subsystem was intended to provide a bridge between the independent systems of planning and budgeting. This is accomplished through systematic approval procedures which "cost out" force levels and supporting programs in terms of money and manpower. It projects estimated costs for five years into the future and force levels for an additional three years.

The PPB system is a dynamic multi-year process involving simultaneous budgeting for one year, programming for the following five years, and planning for succeeding years. The planning phase of PPB involves the collection and evaluation of strategic intelligence. From this information an overall threat to the security of the United States can be determined, and a strategy of defense can be developed to counter the threat. The planning phase culminates with the definition of the Nation's security plans and objectives.

During the programming phase, security plans and national objectives are translated into a definitive program with explicit fiscal constraints which include men, monies, and material. This is accomplished through systematic approval



procedures that roughly cost out force objectives for financial and manpower resources five years into the future, while simultaneously displaying forces for an additional three years. This gives the Secretary of Defense and the President an idea of the impact that present-day decisions will have on the future defense posture. The programming phase is an annual process that establishes the dollars to be allocated, introduces other resource constraints (such as manpower), and determines which constrained mix of man-machine systems best satisfies the defense posture expressed in the planning phase.

Programming translates the plans into specific elements, projects, or decision units. Each year it assigns time-phased schedules to the elements and determines the specific resource requirements--dollars, manpower, material--for each element.

[35]

The program extends five years beyond the current year and reflects the dollars required for each of the years. This provides a sound and rational basis for the development of the budget estimates. Various decisions are made during the budget review process which refine or modify the programs. These are reflected in the program data, and the implications are projected over the five-year period.

The PPB system, as developed and installed by Charles Hitch, has one primary shortcoming. The fifth element of the system, initiating progress reporting to test the validity and administration of the plan, was never realized. The basis for this shortcoming lies in the direction implied by the



acronym, PPBS. Throughout the literature there is a void with respect to progress measurement techniques and the resultant evaluation of the defense program. It is a popular belief that while mechanisms for measuring progress performance may be incorporated into the PPB structure, these mechanisms are not yet an inherent feature. [11]

The need for control mechanisms is critically evident in the administration of newly conceived and developed programs. The lack of control has not gone unrecognized. Allen Shick writes that:

"OMB has been pilot testing a Performance Measurement System which combines features of performance budgeting and PPB. The system calls for pinpointing managerial responsibility and requires the manager to specify performance targets for his program. A reporting system shows variances from planned performance and enables program managers and OMB to take corrective action when variances exceed tolerance levels." [21]

What the Office of Management and Budget (OMB) is trying to accomplish is to extract an explicit statement from the program manager on what it is he plans to accomplish, the time period necessary for attaining the stated results, and, finally, to let him prepare his own report card on how well he is doing. This need to have performance measures to quantify the outputs of all programs is also a requirement in preparing zero-base budget justifications. The Navy was lauded for the outstanding zero-base budget preparation for fiscal year 1978, but as noted in Chapter II the major shortcoming was the lack of quantitative measures of outputs.





## B. RESOURCES MANAGEMENT SYSTEM

In 1965 the Secretary of Defense, Robert S. McNamara, directed his new Comptroller, Mr. Robert J. Anthony, to make major changes in the programming, budgeting, and accounting systems by the start of fiscal year 1968. The accomplishments of Anthony's predecessor, Charles J. Hitch, provided the building blocks for the development and implementation of the Resource Management System. The Five-Year Defense Program as formulated under the supervision of Mr. Hitch was a prerequisite to the improvement of resource management systems. The Five-Year Defense Plan, which breaks down into programs and program elements, provides an orderly program structure against which to budget, account, and measure progress/performance. As discussed previously, Mr. Hitch devoted his energies to the development of the programming phase. The integration of budgeting and accounting procedures into the programming process is the contribution of Mr. Anthony.

Since no comprehensive effort had been made to integrate the various management systems with the resource management needs of the Department of Defense, numerous management systems of varying degrees of usefulness had been developed in the past with overlapping, gaps, and conflicts among them. [29] The existing systems were deficient in the element of control, as noted by Secretary Anthony when he commented on the need for strengthening the current control systems. However, recognizing the negative connotation implicit in



the word "control," he discarded it and coined the term "Resource Management System." His definition of a Resource Management System is:

"... a system that aids managers at all levels in their function of assuring that resources are obtained and used effectively and efficiently in the accomplishment of an organization's objectives." [3]

The Resource Management System affects the entire Department of Defense management process. The objective of RMS was to interrelate programming, budgeting, management of investment items, management of operations, accounting, reporting, and auditing so that Department of Defense managers would have an integrated system to assist them in the following seven areas:

- "1. Formulate programs systematically, including a definition of alternatives and selection of the best alternative.
2. Translate programs into budgets in an integrated, consistent fashion requiring that they be expressed in similar terms.
3. Specify responsibility for a mission or service in terms of organizational units.
4. Measure actual performance against planned performance (effectiveness).
5. Relate resources consumed to work done (efficiency).
6. Provide recurring quantitative information regarding actual results of activities to managers at appropriate levels.
7. Provide reliability and consistent accuracy in the data." [29]

These objectives have not been fully realized since the inception of RMS. The noteworthy shortcoming of RMS was the lack of a meaningful way to measure and report how well goals are met and how efficiently resources are being used to meet



the goals. Since RMS does not provide the required feedback and decision making information to assure execution in accordance with plans, the Planning, Programming and Budgeting system is primarily a planning system and not a management system. RMS will become a management system when there are standards to guide the manager and help him evaluate his performance toward planned objectives.

The basic evolution in instituting the Resource Management system was Project PRIME. It was intended to revise the programming system, the budgeting system, and the management accounting system into an integrated structure. Project PRIME was concerned with the resources financed under Operations and Maintenance and Military Personnel appropriations. The focus was to be on the measurable expenses of an organizational unit.

Project PRIME was heralded by Dr. Anthony as "the biggest change in any accounting system ever undertaken by an organization." [36] While it was not the panacea for all management ills, Project PRIME did effect numerous improvements in the management of operating resources.

As a result of Project PRIME, program elements were redefined and restructured which provided for the integration of programming, budgeting, and management accounting. The operating budgets, expressed in full-cost program-element terms, are utilized for obtaining, managing, and accounting for the resources. Based on Project PRIME definitions of expense and investment, the appropriations were purified so



that current expense items are funded from the annual (expense) operation and maintenance appropriation, while the investment items are funded from the multi-year (investment) appropriation.

The uniform account structure proposed under Project PRIME was intended to bring together budgeting and accounting information into line with the ten programs of the FYDP. This account structure included program elements, functional and subfunctional categories, cost accounts, and elements of expense. The program elements present a more detailed breakdown of the major programs and are designed to tell who or what activity is using the resource. The first subordinate classification below these program elements is the functional categories which collect cost information to tell why or for what reason resources were used. The subfunctional categories are more detailed delineations of the functional categories. They are used to isolate and accumulate costs of various functions encompassed by the broad functional categories. In order to provide a detailed breakdown of where resources are being used, cost accounts are utilized within the appropriate functional and subfunctional categories. The level of detail of the cost accounts is determined by the managers of the operating budget. Twenty-four elements of expense were developed to identify the nature of the resources being used or consumed within the functional and subfunctional categories. They are inputs such as military personnel, utilities, and ship's POL. These elements of expense are primarily a





redefinition of the object classification codes used in the past.

The principal objective of Project PRIME was to help the operating manager do his job. Realignment of the lines of authority precipitated a greater degree of participation in resource management by line managers. Project PRIME specified that there should be a close match between the program a manager is to accomplish and the resources he has to utilize. The frustrations of being told through one channel to perform a particular function while being informed by another that the necessary resources are not available were eliminated. Project PRIME and the overall process of RMS advocated control by aggregates and the move away from control by bits and pieces.

This method of control was doomed to limited acceptance because Congress was reluctant to change their review of the budget from the line-item approach, and their "coin of the realm" was obligations. Therefore, performance measurement based on expenses has not been realized to date.

### C. REFINEMENTS OF RMS

Since the introduction of RMS in fiscal year 1969, there have been two refinements in the process of managing resources. The first was the introduction of the budget classification codes. The codes designate the primary breakout of financial data used by financial managers in budgeting, managing, and accounting for the Operations and Maintenance appropriation. These codes provide the vehicle for financial managers to



accumulate financial data in the same terms as they formulate, justify, and execute operating budgets. The budget classification codes reflect the principal functional areas utilized by the claimants. The codes are structured to accumulate and report expenses and obligations at both the detailed and summary levels.

The following is a selective example of BCC's and their associated definitions:

<u>BCC</u>	<u>Budget Classification</u>
A1	Strategic Systems Technical Support
A3	Missile and Space Defense
B1	Aircraft Operations
F3	Station Operations
F4	Maintenance of Real Property [36]

The need for the BCC's resulted from the inability of the system design agents in OSD to persuade Congress to shift the operations appropriation from an input to an output base. As RMS was originally implemented, the intent was for operating managers to abandon obligations and utilize the expense based accounting system for operating decision-making. To achieve this end, obligations data was purposely not made visible to lower level managers. When the Congressional budgetary process continued to utilize the traditional input data, operating managers were forced to perform extensive calculations to convert expense data to obligation data.

As a result, Office of the Comptroller of the Navy (NavCompt) revised the RMS system for the Navy to provide both obligation and expense data, and the budget classification codes were born, as discussed above.



The second refinement of RMS involved modification of the performance reporting system by providing a weekly funds status report and by improving the performance report format. The previous modifications to RMS had primarily benefited top management; the Uniform Management Report (UMR) is an effort to improve the management information and reporting requirements for the operating manager and was implemented on 1 July 1977. The objective of the UMR is to provide in one report the actual and planned data and to incorporate various reporting requirements which are presently being satisfied outside the management reporting system. Planned actual work units and expenses are entered to form a basis for comparison of actual completions with the plan. The expense element data facilitates in-depth analysis of the variances from the planned work load. The UMR is intended to provide the managers with the means to identify lagging efficiency and effectiveness through the monitoring of emerging trends and forecast future developments.

#### D. SUMMARY

The planning, programming, budgeting system has experienced continual evolution since its introduction in 1961. PPBS was intended to provide the Secretary of Defense and his principal military advisors with a system which brings together at one place and at one time all the relevant information which they need to make sound decisions. [13]

As viewed by Robert Anthony, the Resource Management System was the vehicle to bring management control to the





long-range planning technique of PPB. The Five-Year Defense Program, as the major product of this long-range planning (PPB), was the nucleus of the Resource Management System. Secretary Anthony has referred to the application of RMS as "closing the loop." [2] It intended to bring together the iterative process of planning, programming, budgeting, management of investments and operations, management accounting and reporting.

The failure of RMS and the initial implementation of Project PRIME resulted because Congress was not ready to shift from management by inputs to management by outputs.

The resource management systems are organizational mechanisms which are intended to assist each level of management to focus on resources and objectives within the overall PPBS. Below the Secretary of Defense level, these mechanisms or systems were to become important factors in relating the use of financial and non-financial data to the attainment of the Navy's stated goal. In a recent article, Earl Wysong discussed the need for accounting systems which would better serve managers. [39] It is his contention that the present accounting systems provide good financial data but are lacking adequate supportive non-financial and managerial (decision-making) information.





#### IV. CURRENT USE AND SHORTCOMINGS OF PERFORMANCE MEASUREMENT

The original concept of RMS called for management to be exercised through a performance measurement concept that focused on accomplishments and associated costs called expenses. Congress rejected the expense aspect of the concept, preferring to continue using obligations as the "coin of the realm." However, the performance measurement capability was retained. The uses of this capability will be explored in this chapter.

##### A. CURRENT USE

Observations and perspectives concerning the current use of performance measurement employed in the Navy by top levels of management are based on interviews conducted by the authors with personnel in the Office of the Comptroller of the Navy and the Office of the Chief of Naval Operations (OPNAV). Those interviewed ranged from budget analysts up to and including the Director of Budget and Reports/Fiscal Director of the Navy. The views of the claimants were gathered through written replies to a letter issued by the Chief of Naval Operations which is included as APPENDIX A. The claimant replies are summarized in APPENDIX B, and the actual replies are included as APPENDIX C.<sup>1</sup>

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<sup>1</sup> Due to the extent of documentation provided by some claimants, only the pertinent portions have been included in APPENDIX C.



## 1. The View from the Top

Through interviews conducted in Washington during May 1977, the authors were left with the impression that the prime focus of the personnel responsible for the Navy budget was on financial measures and that performance measures, beyond the few currently used, were not desired. Indeed, there were those who viewed the concept of establishing non-financial performance objectives in the planning and budgeting processes and measuring the results during execution as impractical at best, if not potentially dangerous if misinterpreted by Congress. This lack of enthusiasm for non-financial measures is also being experienced by the personnel responsible for designing a revised Departmental Reporting System which is discussed in Chapter V.

With the focus on financial measures, the authors found that there was a universal distrust of the Report of Program Status of Operations Resources--a monthly status of obligations in relation to plans--which is produced by the current departmental management information model, the Navy Cost Information System. Although there were some complaints about the report content, the basic concern was centered on the timeliness and accuracy of the data, e.g., the 31 January 1977 status was not distributed until 17 March 1977. As a result, informal means of gathering obligation data have been developed; thus, the report is primarily used as a basis for reconciliation by internal management.



Inquiries regarding methods for validating the progress of programs against the plan were consistently answered in terms of financial status. When pressed on the issue, some interviewees admitted that occasionally there was a need for non-financial data and that these were handled on an ad hoc basis through informal means. Further inquiries into methods of assessing effectiveness were met with the opinion that lower echelons of management were responsible for this determination and that validation at the upper levels of management was achieved through budget submissions.

## 2. The View from the Claimants

As previously noted, the views of the claimants were solicited through a series of questions which are listed in APPENDIX A. The questions were purposely made general in nature so as not to guide the replies and hopefully to allow the respondents the freedom to express their actual use of methods of evaluating the performance of their subordinates. As a result, the replies varied due to individual interpretation of the questions by the respondents and the relationship the questions had to the management techniques employed by the respondents. In the evaluation of activity performance, the range of replies indicated use of both general and financial management measures (NAVSUP), the use of only financial measures (OP-09B), and the use of only general management measures (NAVTELCOM).





The authors have grouped the replies to the questions into the following eight areas of concentration:

- (a) The type of factors used to evaluate activity performance;
- (b) The methodology used for reporting information on these factors;
- (c) The identification of financial management factors;
- (d) The identification of those factors that must be reported externally to the claimants;
- (e) The standard or basis against which the factors are measured;
- (f) The use of the factors at the activity level;
- (g) The cost effectiveness of the performance measurement system; and
- (h) The recommendations for improving the performance system.

Because of the general nature of the questions posed and the varying responses, definitive analysis cannot be made. However, these general conclusions concerning the nature of the use of performance evaluation by the claimants can be drawn in relation to the above areas of concentration:

a. There are four basic factors used to varying degrees by the claimants to evaluate the performance of their activities.

- Financial data independent of other data, i.e., obligation trends;
- Performance and cost data, e.g., number of flying hours and unit cost, steaming hours, student load, etc.
- Quantitative data which has no direct relationship to funds, e.g., message count, supply demands, number of participants, etc.;
- Qualitative data which has no direct relationship to funds, e.g., message throughput time, supply system availability, receipt processing time, etc.



b. The source of financial data, as one would expect, is through the prescribed financial system, e.g., Budget Classification/Functional Category/Expense Element Report (NAVCOMPT 2171). This is not the case with performance and cost data, for the prescribed financial system does not fully support the needs of management in this area; for example, flying hours cost is not reported through the UMR. The quantitative factor has its own data-gathering system, such as supply demand data which is gathered via Military Supply and Transportation Evaluation Procedures (MILSTEP). The qualitative factors use both their own unique system and the financial system for performance data, e.g., NAVSUP uses the Inventory Control Report (NAVSUP 1144) to monitor, inter alia, issue processing time and the Financial Inventory Report (NAVCOMPT 2154) to monitor the value of accounting adjustments, both of which have standards of performance established by NAVSUP.

c. The prime factor used in financial management by the claimants is obligation trends vs plan. Excluding the facilities management area, only three claimants reported using the Uniform Management Report (UMR) and the performance and cost factors reported therein. There, also, is limited use of quantitative and qualitative data in budget formulation.

d. Financial data is reported externally through the fiduciary system, such as the Trial Balance Report (NAVCOMPT 2199). Again, with the exception of facilities management,



no external reporting of performance and cost data gathered by the UMR was reported by the claimants. Other performance and cost data is reported external to the claimants by means other than the prescribed financial system, e.g., Flying Hour Cost Report to OP 05. Quantitative and qualitative uses were also reported externally by the claimants on an ad hoc basis, e.g., NAVTELCOM reports operational deficiencies to OP 931 daily as they occur.

e. Only one claimant reported a basis for evaluating activity performance under all four factors. In the main, only the financial factor has a basis across the board.

f. The most important single factor used at the activity level is the financial factor. Only three claimants reported the use of UMR at the activity level.

g. Other than generalizations, most claimants, with two exceptions, avoided classification of the cost effectiveness of their performance measurement systems. One classified the UMR as not being cost effective, and the other classified the demands of higher authority for data as not cost effective.

h. Ten claimants recognized a shortcoming in the present performance measurement system and recommended improvements as discussed in section B of this chapter.

## B. SHORTCOMINGS

The principal shortcoming of the current system perceived by most claimants is the absence of a basis for a performance reporting system that includes both performance and cost measures. In order to develop such a system, it is necessary



that there be a perceived need for this capability at the OPNAV level, that OPNAV support its development, and that OPNAV take advantage of and use this management technique. As a result of the current lack of emphasis in this area by OPNAV (as perceived by the claimants), the management control mechanism installed by RMS has not been developed nor refined as a viable management tool. This has a confusing effect on Navy management because of the necessity of continuing to report on a performance basis without proper guidance as to how this information is to be employed in the management process.

To consolidate the reporting requirements and clarify the purpose for performance reporting, the claimants indicated that the following actions would do much to resolve the shortcomings of the present system:

1. Improve Timeliness of Reports -

Five of the claimants reported that the official accounting and reporting system must be improved in order to process the data in a more timely manner. In today's real-time environment, Congress and top level management are not satisfied with financial data which is often forty-five to sixty days old. This delay and lack of confidence in the data has been the primary reason for the extensive development of memorandum records to supplement the required reports. NAVCOMPT was identified as the organization that should take action on this item.





## 2. Update Cost Accounts -

Cost accounts provide a detailed description of where resources are consumed. Two of the claimants (CNET and NAVSUP) recommended that these cost accounts, which are listed in NAVCOMPT Manual, be purified so that managers will have meaningful and useful data. The NAVSUP response indicated that cost accounts in the supply management functional area have been updated to meet their changing needs and that activity productivity performance is evaluated at the cost account level. While agreeing with the recommendation to update the cost accounts, the authors take exception with CNET's recommendation of NAVCOMPT to take action on this project. NAVCOMPT should coordinate the effort, but it should be the functional managers' (e.g., NAVSUP, NAVFAC, etc.) responsibility to purify the cost accounts applicable to their area of expertise.

## 3. Interface Cost Accounts and Shore Required Operational Capability (SHOROC) -

The Shore Requirements, Standards, and Manpower Planning System (SHORESTAMPS) is an application of proven industrial and management engineering principles for determining the total military and civilian manpower requirements for the Navy shore establishment. The system is composed of two subsystems which are linked by common terminology--the Shore Required Operational Capability (SHOROC) subsystem of standard tasking phrases and the Navy Staffing Standards subsystem. The mating of these two subsystems will result



in the establishment of staffing standards based on functions performed. [31] The system is intended to develop a measurement capability which can be effectively used by management throughout the Navy to measure efficiency and productivity.

There were four claimants (CINCLANTFLT, CNET, CHNAVPERS, and CINCPACFLT) who expressed the need to develop a cost accounting system which would monitor performance progress during budget execution. To achieve this end, the commands recommended that the cost accounts be interfaced with the manning and staffing standards of SHOROC. The claimants recommended these efforts should be defined and coordinated by the Chief of Naval Operations; however, the authors believe the integration of SHOROC and cost accounts should be accomplished by the functional managers of the Navy under the coordination of NAVCOMPT.

#### 4. Interface Productivity Program with Cost Accounts -

Under the requirements of the DOD Productivity Measurement Program, units of output, man-years of input, and dollar compensation are accumulated and reported through the chain of command to OSD and, finally, to the Bureau of Labor Statistics. [30] It is a requirement of OMB Circular A-11 that manpower budgets be formulated using these performance indices. However, no policy guidance has yet been issued by the Navy that sets forth the objectives of the program or how it is to be integrated into the management process. Most of the claimants either expressed or inferred the need for a uniform productivity program which would interface with the



current cost account reporting requirements. The system developed should be mechanized as the resources available preclude the use of extensive manual processing. Although CNO was identified by the claimants to take action in this area, the authors believe this effort should be undertaken by the functional managers as part of cost account updating and the interfacing of SHOROC. As previously stated, NAVCOMPT should coordinate these efforts.

5. Designate a System Review Head to Coordinate Systems and Associated Reporting Requirements -

As noted earlier, there are performance reporting requirements (SHOROC, DOD Productivity, Flying Hour Program, etc.) that use performance and cost measures that are not incorporated into the prescribed financial management reporting system; however, these systems are employed in the financial management process. It, therefore, appears that there is a need to develop from a common base an integrated reporting structure of data gathering, reporting, and utilization that will serve the varying needs of management. The objective of this effort should be to reduce redundancy in performance and cost data collection systems by the use of a cost accounting system used to the maximum as the primary source of data. It was recommended that the lead for this effort should be assumed by CNO in conjunction with NAVCOMPT.

6. Develop Measures for the Attainment of Objectives -

There are two types of performance measures: one is concerned with a higher order of management--measuring the attainment of objectives or "summary output measurement";





the other is composed of a more detailed level of "process measurement" concerned with day-to-day management through the quantity of work done. Although much needs to be done to systematize process measurement, it is still more developed than summary output measurement. It is the summary output measurement that the Senate Appropriations Committee noted as a shortcoming in the Navy's ZBB submission. The authors have been unable to discover any efforts being made to satisfy this shortcoming. This deficiency was noted by five of the claimants (CINCUSNAVEUR, CHNAVPERs, COMNAVTELECOMM, CNET, COMNAVINTCOM). They indicated the need for summary output measures to provide the operating manager with a yardstick for measuring the extent of attainment of planned objectives. Both NAVCOMPT and CNO were identified to head this effort, but no consensus prevailed. The authors believe this effort should be the responsibility of the program managers (OP 02, etc.) of the Navy and that NAVCOMPT should coordinate their efforts.

Projects being initiated that deal with these six shortcomings identified by the claimants will be reviewed in the next chapter.



## V. FUTURE TECHNIQUES OF FINANCIAL MANAGEMENT

The responsibility for the employment of effective financial management techniques within the Department of the Navy rests with the Secretary of the Navy. The execution of this responsibility is carried out through the Assistant Secretary of the Navy for Financial Management/Comptroller of the Navy who will, inter alia, insure that resources available for development or modification of financial management systems are used effectively and efficiently to preclude duplicate and counter-productive efforts. To ensure that system changes occur in an orderly, evolutionary manner, the Comptroller of the Navy is tasked to exercise positive technical control and coordination of all financial management development and improvement efforts throughout the Department of the Navy. [37]

### A. FINANCIAL MANAGEMENT IMPROVEMENT PROGRAM (FMIP)

In 1972, following several studies which indicated that the central direction over system planning, development, and maintenance was deficient and often nonexistent and that the systems did not adequately serve the management needs of the Navy, the Secretary of the Navy established the Financial Management Improvement Program to systematically plan and control the introduction of improvements to the financial management systems of the Navy. [1]



Through FMIP, a planning methodology has been developed to identify the requirements of the system, assess the system to determine how well the requirements are being met, identify the deficiencies, and establish corrective actions required by both priority and the schedule of expected completion. The concept of the planning methodology is based on an integrated financial management system, wherein the functions of planning, budgeting, and accounting are related and interfaced in such a manner as to improve the management activities of planning and control.

The requirements of the system are expressed as basic principles which are statements of essential qualifications that provide a set of standards by which the system can be operated and evaluated. These principles must meet the technical (fiduciary) and operational (value) capabilities which the system must accommodate.

The principles presently used to evaluate the financial management systems of the Navy are:

1. The use of a uniform general ledger structure for all appropriations and funds.
2. The application of accrual accounting for all appropriations and funds.
3. The capability to accumulate costs and prepare budgets by line management and functional responsibility on a pyramidal basis.
4. The ability to compare progress to financial plans as a means of management control.



5. The capability to accumulate quantity or output measurement type data for use in financial plans.

6. The capability to summarize and report data from the lowest to highest level of command within five days after cut-off period.

7. The ability to limit the accountability and control of funds to only those essential for effective and efficient administration.

8. The ability to identify, when required, financial transactions through the stages of fund direction, commitment, obligation, accrued expenditure, disbursement and applied cost.

9. The accumulation and reporting of cost and quantity data necessary for planning, programming, budgeting, and control on an integrated basis.

10. The inventory control of assets (property, equipment, and stores) on a quantitative and monetary basis.

11. The capability of recording accounting transactions prior to disbursement.

12. The integration of the classification structure and practices used in the financial management processes of programming, budgeting, and accounting.

13. The inclusion of edit and audit trails to assure the quality of data. [32]

Using these thirteen principles, twenty-four "improvement objectives" have been identified to correct the noted deficiencies. To reduce the impact of improvement actions, similar or related "improvement objectives" are consolidated into





"improvement areas," assigned priorities, and initially scheduled for improvement efforts. After validation by the financial community, the "improvement areas" are incorporated into the Financial Management Improvement Program as "projects" and are scheduled for funding. Figure 5-1 is a time-phased plan of those projects included in the Fiscal Year 1979 Program Objectives Memorandum.

Of the twelve projects listed for fiscal year 1978 and beyond, four address the shortcomings identified by the claimants (see Appendix C) and summarized in Chapter IV. These projects are:

1. Integrated Disbursing and Accounting (IDA) System,
2. Departmental Reporting System (Project 77-1),
3. Classification System (Project 77-2), and
4. Cost System (Project 77-4).

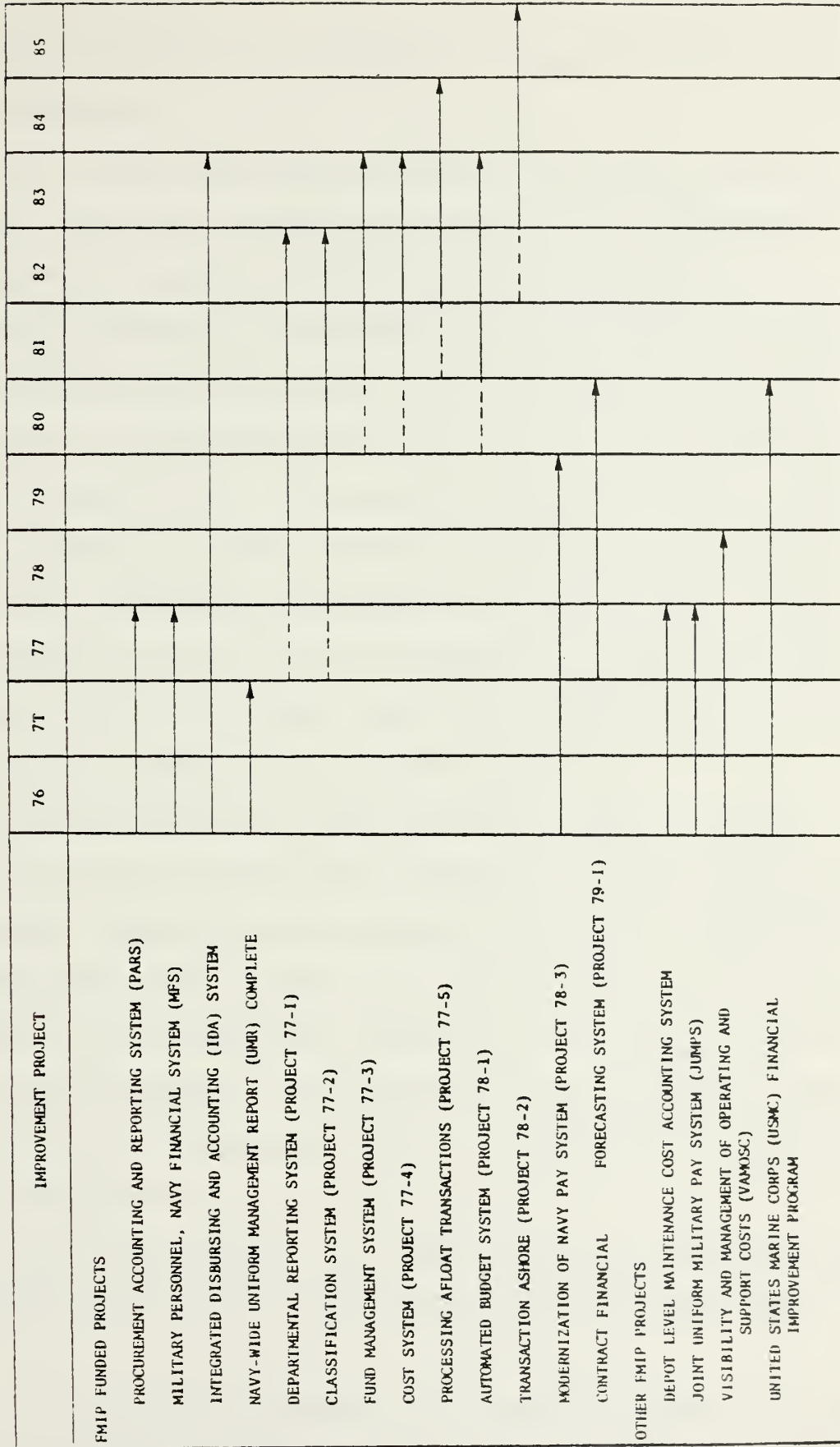
In the following paragraphs, these projects will be explored in order to identify their objectives, to relate them to the shortcomings identified by the claimants, and to compare them to the emerging desire of Congress for quantitative outputs.

#### B. INTEGRATED DISBURSING AND ACCOUNTING (IDA) SYSTEM

The disbursing and accounting systems of the Navy consist of two separate processes with approximately 275 Authorization Accounting Activities (AAA) performing cost accounting, and five Navy Regional Finance Centers performing cash accounting. As a result of the separations, differences in the data generated by these systems must be reconciled on a regular basis,



Figure 5-1  
DEPARTMENT OF THE NAVY  
FINANCIAL MANAGEMENT IMPROVEMENT PROGRAM  
TIME PHASED PLAN



-----Problem Definition

—System Design & Implementation



and extensive efforts are required to identify and correct these differences.

Factors which contribute to these differences are the geographic and organizational separation of the functions, the mandatory reliance on hard-copy documentations, the geographic separation of fund administrators and their supporting accounting activities, the timing and sequence of information and documentation flow, and the large number of accounting activities. These factors have resulted in duplicate recording of data, untimely and inaccurate financial information, orientation to hard-copy documentations, multi-level reconciliation of the two systems, undistributed disbursements (the differences), and the attendant overhead cost associated with the reconciliation. [34]

The basic objective of the Integrated Disbursing and Accounting (IDA) concept is to integrate the two systems, to improve the timeliness and accuracy of financial information for management, and to reduce the costs associated with these processes. To achieve this objective, the current process of disbursing followed by accounting will be reversed and consolidated in the accounting activity. The key features of control to this concept are:

1. The establishment of a single set of documents at the accounting activity that will serve as an integrated data base.

2. The use of telecommunication devices between the funds administrator and the accounting activity to permit one-time





data capture. As a result, the need to perpetuate or regenerate hard copy transmissions will be eliminated. Access to the status of individual accounts will be provided by mechanically produced listings or cathode-ray tube displays. This capability will significantly reduce, if not eliminate, the need for memorandum record keeping by the funds administrators.

3. The use of advanced telecommunications and automatic data processing techniques will result in a reduction in the clerical effort necessary for maintaining accounts and will result in more timely status information.

4. By integrating the accounting and disbursing data bases and allowing payment to commercial vendors to be a by-product of the accounting process, the need for duplication and recapture of required data is eliminated.

5. The retention of hard copy documentation at the originating activity and the transmission of data via remote terminals will greatly reduce the administrative burden associated with their processing.

6. Improved financial management reporting will be accomplished through source data collection and entry into an automated data base which uses the accounting record as the basis for all financial transaction processing. The application of these techniques will result in the capability to issue financial reports within five days following the end of the report month, as opposed to the present eight-day cycle for disbursing reports and twenty-five-day cycle for accounting reports. [34]



While the Integrated Disbursing and Accounting Project does not specifically address the changing focus of Congress, it does attack the most glaring deficiency in the financial management system of the Navy that exists today--timeliness and accuracy of financial data. From the operating managers in the field to the top financial managers of the Navy, the common complaint is that their ability to effectively monitor budget execution is constrained by the lack of reliable data. This lack has caused the operating manager to develop extensive memorandum records in order to control his funds and avoid a violation of the Anti-Deficiency Act (Section 3679 R.S.). It has caused top management officials to depend on informal means of gathering data. As a result, the official fiduciary reports are largely used as bases for reconciliation with the informal data base, and not as the real status of the account being reported.

The successful implementation of the Integrated Disbursing and Accounting concept will do more than solve the basic problem of reliable financial data. It will, through an integrated data base and the application of advanced technological techniques, lay the foundation for further improvements in the financial management capabilities of the Navy.

#### C. THE DEPARTMENTAL REPORTING SYSTEM (PROJECT 77-1)

The Project Plan for the Departmental Reporting System recognizes a need at the Departmental level (Office of the Secretary of the Navy and staff offices) for more adequate financial and non-financial information in order to efficiently



plan and measure results and performance. The limited amount of actual information currently received at this level is not in a form adequate for planning and monitoring progress of financial plans in either the programming or budgeting areas. At this time, the Navy Cost Information System, which is designated as the Departmental level reporting system, has only the capability to compare progress to the Five-Year Defense Program and budget plans in financial terms, thus lacking the data necessary to fulfill this need. As a result of this deficiency, certain users have developed their own capabilities in this area (e.g., The Flying Hour Cost Reporting System) resulting in a fragmented information system at the Departmental level and duplicate reporting requirements on the field activities.

The objectives of this project are to develop and implement a cost information system at the Departmental level which will provide financial and non-financial information required for planning, programming, budgeting, and accounting. This system should have the capability to:

1. Accumulate costs and prepare budgets pyramidally for line management and functional responsibility,
2. Compare progress to financial plans,
3. Accumulate quantity or output measurement data,
4. Summarize and report data at lowest to highest levels in a more timely manner, and
5. Accumulate cost and quantity data necessary for planning, programming, budgeting, and control. [33]



To achieve these objectives, the project conceptualizes a system under which financial planning information is transmitted from the Departmental level to field activities through the intermediate levels of the command structure. Pursuant to the execution of these plans, cost and performance data is reported through the chain of command to the Departmental level for internal management use and to meet external reporting requirements of the Department of Defense, Office of Management and Budget, Congress, etc. Central to the concept is the requirement that all Departmental level requirements for programming, budgeting, and accounting information be supported by a centralized cost information system. This conceptual framework includes all levels of financial performance, from field to departmental. This project, however, is restricted to the information requirements of the Departmental level and points of interface with other systems.

The project will be approached in two phases. Phase I will be an analysis of deficiencies in the data collection, reporting, and processing techniques used in the flow of information to the Departmental level. Phase II will be a long-range effort to define the requirements of a more adequate Departmental Reporting System and to better integrate these requirements with the contributing levels.

The analysis phase will be pursued by management areas that are involved in the decision process, i.e., planning, obtaining, using, and accounting for resources. These management areas are defined as:





1. Forces and Support,
2. Weapon Systems,
3. Procurement Line Item,
4. Appropriation and Fund Management,
5. Outlay Management,
6. Functional Responsibility, and
7. Line Management. [33]

Before reviewing the status of this project, the companion project, Classification System, will be introduced as the projects are interrelated.

#### D. CLASSIFICATION SYSTEM (PROJECT 77-2)

To accomplish the objectives of Project 77-1, it is essential that there be a consistency in classification and practices used in programming, budgeting, and accounting to interchange information for comparative purposes. Thus, the basic objective of this project is to develop and implement a consistent classification system that encompasses the total financial management process.

Like its companion project (77-1), the approach to the Classification System (Project 77-2) will have two phases--problem definition and problem correction--and will use the same seven management areas for analysis. Both projects are in the formulative problem definition stage. The approach being used is to review the informational requirements and capabilities of each management area by types of data elements and levels of detail with the objective of surfacing the



unsatisfied requirements. After this review, interviews are conducted with selected financial managers to identify the source and purpose of the requirements, whether internal or external, and to determine management's priorities in correcting the deficiencies.

#### E. STATUS OF PROJECTS 77-1 AND 77-2

As of this writing, the two projects have identified that there are sixty-eight fund and appropriation accounts in the Department of the Navy. Analysis has been completed on all the funds and the Research and Development, Navy appropriation for which the management is centralized in comparison with the other appropriations. Conclusions drawn from the completed work indicate that within the fund account areas there is no readily identifiable way to integrate planning, programming, budgeting, and accounting. Conversely, the research and development area does have an integrated data base to support the total financial management process.

Work in the other appropriation areas is in the initial stages, and the scope of the analysis has been expanded to include the administering office level (two to three echelons below the Secretary of the Navy) because of the decentralized nature of its management. Of the work completed in this area, the project is having difficulty validating an actual or perceived need by Navy management for quantitative output measures beyond the existing capability for flying and steaming hours.

[24] Thus, it appears that a dichotomy exists with Congress expressing a desire for more quantitative outputs, and Navy



program managers, the suppliers of the data, not yet having identified this data. It is not the responsibility of these projects to resolve these opposing views nor to develop output measures; their responsibility is to simply build the requirement into the financial management systems. The above dichotomy must be resolved through clarification of organizational responsibilities.

Although the scope of the Classification System Project addresses all organizational levels of the Navy, the scope of the comparison Departmental Reporting System Project is constrained to the top levels of Navy management.

#### F. COST SYSTEM (PROJECT 77-4)

The extension of improved reporting requirements below the upper levels of management is assigned to the Cost System (Project 77-4) under which the project definition is scheduled to commence in fiscal year 1979. This project is envisioned to address the shortcomings of process output measures addressed in Chapter IV. If through this project cost accounts are updated and integrated with other process measurement requirements, such as SHOREROC and the DOD Productivity Measurement Program, such action will respond to many of the claimant recommendations discussed therein.





## VI. SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

### A. SUMMARY

The passage of the Congressional Budget Act of 1974 has done more than modify the budget review process of Congress. It has tasked Congress to focus on ends rather than means; however, the budget justification techniques employed by Congress that dwell on the costing of means do not support this new focus. Consequently, new budget justification techniques are evolving. The two principal techniques being considered are Zero-Base Budgeting and Mission Budgeting. Whether one of these or a combination of them or some other technique is adopted, it appears that Congress will require a quantitative measure of output as a basis for budget justification.

Based on the premise of this thesis--that the focus of Congress in budget justification will determine the focus of line management--a review of the budget formulation and management control techniques used by the Navy was conducted. The authors found that although the Planning, Programming, and Budgeting System (PPBS) is mission oriented, it lacks the means to provide quantitative measures of output. An effort was made in 1968 under the Resources Management System (RMS) to install performance measurement techniques based on output measurement into PPBS. Due to Congress' focus on inputs at that time, the effort was not successful and summary output indices have not been developed for the Navy.



Although the higher order summary measures of output concerned with measurement of accomplishment relative to objectives have not been developed, RMS did install a lower order, process measurement, capability which is concerned with efficiency of day-to-day operations. A survey of the claimants revealed that little management use is being made of this system and that the primary technique used in financial management was fiscal control based on obligation trends. However, the claimants did note that there are ancillary requirements for process measures in support of the DOD Productivity Program and a Navy effort entitled the Shore Required Operational Capability (SHOROC). They recommended the integration of these and similar programs into the RMS cost account structure. The claimants also expressed a need for summary measures for evaluating performance above the massive detail involved with process measures.

The Financial Management Improvement Program (FMIP) is a systematic method used by the Comptroller of the Navy to affect changes in financial management systems. It is based on thirteen principles, many of which are similar to those advocated by RMS.

Of the eleven projects under the FMIP, four projects were reviewed:

- The Integrated Disbursing and Accounting (IDA) Project which is concerned with improving the timeliness and accuracy of financial reports.

- The Departmental Reporting System (Project 77-1) which focuses on the need for performance and cost information



at the Departmental level (Secretary of the Navy and associated staff officers) in order to officially plan and measure results and performance.

— The Classification System (Project 77-2) is tasked to develop and implement a consistent classification system that encompasses the total financial management process of programming, budgeting, and accounting.

— The Cost System (Project 77-4), which is scheduled to commence in fiscal year 1979, is concerned with the development of cost, quantity and output measurement information for use in the financial management process below the Departmental level.

A summary of the claimants' recommendations and those FMIP projects the authors have identified that deal with them is as follows:

1. Improve timeliness of reports--Integrated Disbursing and Accounting Project,
2. Update Cost Accounts--Cost System (Project 77-4) and Classification System (Project 77-2),
3. Interface Cost Accounts and SHOROC--Cost System (Project 77-4) and Classification System (Project 77-2),
4. Interface Productivity Program with Cost Accounts--Cost System (Project 77-4) and Classification System (Project 77-2),
5. Designate a systems review head to coordinate systems and associated reporting requirements--Classification System (Project 77-2),



6. Develop measures for the attainment of objectives--  
no FMIP project is tasked to develop summary output measures.

The Departmental Reporting System focuses on this latter recommendation but lacks the scope of authority and expertise to solve the basic problem of lack of summary output measures. This deficiency is the prime basis for the recommendations of this thesis.

## B. CONCLUSIONS

1. That Congress will focus more on ends than in the past and will require further quantification of accomplishment;

2. That Congress will require that quantitative measures of output be included in budget justification;

3. That PPBS does not contain the quantitative output measures necessary to meet the demands of Congress;

4. That line management is oriented toward the traditional management concept of fiduciary control rather than quantitative output measures, other than steaming and flying hours;

5. That Congressional focus on quantitative measurement of output will eventually cause a similar shift in line management; and

6. That there are no definitive actions within the Navy currently being taken to prepare for a shift in focus.

## C. RECOMMENDATIONS

1. That summary output measures be incorporated in planning, programming, budgeting and accounting systems with a view towards the establishment of a performance measurement





system which will aid management in obtaining and allocating funds, and will measure accomplishments against plan;

2. That the program managers of the Navy be tasked with the development and maintenance of summary output measures and related standards;

3. That the functional managers of the Navy be tasked with the development and maintenance of standards related to process measures, including the integration of the DOD Productivity Program, SHOROC, and cost accounts within their area of functional responsibility;

4. That the Comptroller of the Navy be tasked to coordinate the efforts of the program and functional managers with the objectives of the development of an integrated performance measurement system to serve all levels of management (field activities to Congress) through pyramidal reporting.





APPENDIX A  
REQUEST FOR DATA  
DEPARTMENT OF THE NAVY  
OFFICE OF THE CHIEF OF NAVAL OPERATIONS  
WASHINGTON, D.C. 20350

IN REPLY REFER TO  
Ser 92SA/87515

8 MAY 1977

From: Chief of Naval Operations  
To: Distribution List

Subj: Use of the Financial Management Control (Performance Measurement)  
Techniques of the Resources Management Systems for Operations

Encl: (1) Outline of Data Requirements

1. CNO (OP-92) is sponsoring the thesis efforts of selected students in the Financial Management curriculum at the Naval Postgraduate School, Monterey. In this regard, one of the study subjects concerns the Financial Management Control (Performance Measurement) Techniques employed by various naval commands and activities under the Resources Management System for Operations. Two students, LCDR J. P. Monson and LT D. R. Crow, USN, are conducting the research and will document in a thesis the results of the study. The stated objectives of the study, approved by OP-92, are to identify deficiencies in the current Financial Management Control Techniques and specify methods for improving the system as an aid to management.
2. The methodology for the study will be to obtain the perspectives and objectives of the top financial management officials of the Navy in OPNAV and NAVCOMPT and identify the use of systems by Navy claimants, along with their recommendations for improvements. From this data base, rough conclusions will be drawn and validated through visits to selected field activities. After refinement, the conclusions will be presented to the top financial management officials for evaluation. Subsequently, the findings will be documented in a thesis.
3. Due to the limited time available, the study team will not be able to personally interview claimants and must, therefore, solicit their views of the current management control system in writing. In this regard, enclosure (1) is a series of questions which are intended to help the study team understand how you use the current system, what benefits you derive and your recommendations for improvement. It should be noted that enclosure (1) is not intended to be all encompassing but rather an outline to assist in the formulation of a response. Thus, additional information that may be helpful will be welcomed. Frank responses are encouraged.
4. It is requested that the addresses provide the data requested by enclosure (1) to:

LCDR J. P. Monson  
SMC 1758  
Naval Postgraduate School  
Monterey, Ca. 93940

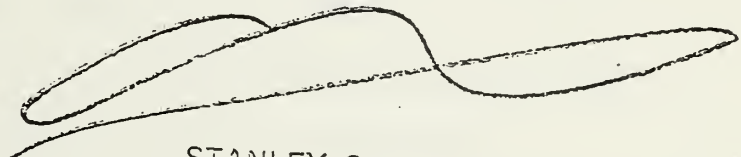


Ser 92SA/87515

Subj: Use of the Financial Management Control (Performance Measurement)  
Techniques of the Resources Management System for Operations

Your response is requested by 10 June 1977. Further, it is requested that a contact point be identified in your response who will be able to assist with any further questions.

5. Should you need to contact the study team members, they can be contacted through auto/phon 878-2536. If you desire, your command will be included in the distribution of the thesis. Your assistance in this study is greatly appreciated.



STANLEY S. FINE  
RADM, USN  
By direction

Distribution List:

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COMNAVSEASYSYSCOM  
COMNAVSUPSYSCOM





## OUTLINE OF DATA REQUIREMENTS

1. What key performance measurement factors are used to evaluate the activities within your command?
2. Are these factors expressed in both financial and non-financial terms?
3. How is data on these factors collected at the activity level and forwarded to your command?
4. How often is this data reported from the activity level to your command? How timely is the data?
5. To what degree is this data utilized in the budget formulation and/or budget execution processes?
6. Which of this data is presented to top management at your command? How is it presented?
7. What decisions are made from this data? Who makes these decisions?
8. Which data is provided to your funding sponsor? How often is this done?
9. Which data is reported to functional sponsors, e.g. MRP to NAVFAC? What do they do with this data? Do you receive any feedback?
10. What are your bases for performance measurement? How were these bases established? How often are they updated? How are these bases promulgated? What percentage of your funds have performance measures?
11. What use is made of the cost/performance data at the activity level?

Enclosure (1)



12. What is the estimated annual cost of your performance measurement system? Is the cost of data accumulation less than, equal to, or in excess of the benefits derived?

13. How can the Navy's Performance Measurement System be improved to meet your needs? Who should take the lead in this improvement effort?

Enclosure (1)



## APPENDIX B

### SUMMARY OF REPLIES TO APPENDIX A

By Chief of Naval Operations letter Serial 925A/87515 of 3 May 1977 (APPENDIX A), the nineteen claimants for Operation and Maintenance funds were requested to provide the authors with information concerning claimant use of the current management control system. Fifteen replies were received; the pertinent parts of which are included as APPENDIX C.

The data requested by APPENDIX A can be grouped into eight areas of concentration:

- A. What factors are used in evaluating activity performance? (questions 1 and 2)
- B. Sources of data for factors, i.e., through what system is the data reported to the claimant? (questions 3 and 4)
- C. Factors used in financial management, i.e., of the factors used to evaluate activities, which ones are also used in financial management? (questions 5, 6 and 7)
- D. Factors reported externally, i.e., of the data received, which of it is reported to funding or functional sponsors? (questions 8 and 9)
- E. Basis for the factor, i.e., is a standard established for the factor against which performance can be measured? (question 10)
- F. Activity use, i.e., what use is made of the factor at the activity level? (question 11)
- G. Cost effective system, i.e., is the command's performance evaluation system cost effective? (question 12)
- H. Recommends improvements, i.e., did the claimant recommend any improvements? (question 13)

The replies identified many data elements used in evaluating the performance of subordinate commands. The authors have consolidated these data elements into four factors:

- 1. Financial data only (primarily obligation trends),
- 2. Performance and cost data (cost accounts, flying hours, steaming hours, student load, etc.),
- 3. Quantitative data for which no direct relationship to funds was reported (message count, total demands, numbers of participants, etc.), and



4. Qualitative data for which no direct relationship to funds was reported (message throughput time, system availability, receipt processing time, etc.).

Due to the varying nature of the replies and the numerous data elements identified, the following table has been developed to summarize the information reported by the claimants. The claimants are identified on the upper axis of the table, and the eight areas of concentration (A through H above) and the related factors (1 through 4 above) are identified on the left hand axis. The areas of concentration and factors are used in conjunction with one another in the left hand axis, e.g., A1 indicates that the factor used is financial data, D4 indicates that qualitative data are reported external to the command, B2 indicates the source of performance and cost data, etc. Within the table the following index is used to identify the codes.

<u>Code</u>	<u>Description</u>
a.	Source of data is fiduciary financial reporting only, i.e., NAVCOMPT Forms 2199/2171
b.	Source of data is a NAVCOMPT promulgated report that contains performance and cost data, i.e., Uniform Management Report
c.	Source of data is from a reporting system other than promulgated by NAVCOMPT, e.g., Flying Hour Cost Report
d.	Source of data is a combination of codes a and b
e.	Source of data is a combination of codes a and c
f.	Source of data is a combination of codes a, b and c
g.	Source of data is a combination of codes b and c
n.	Factor not used by claimant or no
u.	Reply does not answer question or is unresponsive
x.	Not cost effective
y.	Yes
z.	No





TABLE B-1  
SUMMARY OF REPLIES

	CINCPACFLT	CINCLANTFLT	CINCUSNAVEUR	CNET	CHNAVMTAT	BUMED	CHNAVPEERS	COMNAVTELCOM	COMNAVSECGRU	OCEANAV	COMNAVINTCOM	NAVCOMPT	CHNAVRES	CNO (OP-09B)	COMNAVVAIRSYSCOM	COMNAVELEXSYSCOM	COMNAVFACSYSCOM	COMNAVSEASYSYSCOM	COMNAVSUPSYSCOM
A1	y	y	y	y			y	u	u	y	y		u	y	y	y		u	y
A2	y	u	y	y			n	u	u	y	n		y	n	y	y		u	y
A3	u	u	u	u			n	y	u	y	n		y	n	n	y		u	y
A4	y	u	u	u			n	y	u	u	n		u	n	u	u		u	y
B1	a	a	a	a			a	u	u	a	a		u	a	a	u		u	a
B2	g	u	g	g			n	u	u	u	n		c	n	c	u		u	b
B3	u	u	u	u			n	c	u	u	n		c	n	u	u		u	c
B4	c	u	u	u			n	c	u	u	n		u	n	u	u		u	e
C1	y	y	y	y			y	u	u	y	y		u	y	y	u		u	y
C2	y	u	y	y			n	u	u	y	n		y	n	y	u		u	y
C3	u	u	u	u			n	y	u	y	n		y	n	u	u		u	y
C4	y	u	u	u			n	y	u	u	n		u	n	u	u		u	y
D1	y	u	y	y			y	u	u	y	y		u	y	y	u		u	y
D2	y	u	y	y			n	y	u	y	y		y	n	u	u		u	y
D3	u	u	u	u			n	y	u	y	n		y	n	u	u		u	y
D4	u	u	u	u			n	y	u	u	n		u	n	u	u		u	y



TABLE B-1 (continued)

	CINCPACFLT	CINCLANFLT	CINCUSNAVEUR	CNET	CHNAVMT	BUMED	CHNAVPERS	COMNAVTELCOM	COMNAVSECGRU	OCEANAV	COMNAVINTCOM	NAVCOMPT	CHNAVRES	CNO (OP-09B)	COMNAVAIRESYSCOM	COMNAVELEXSYSCOM	COMNAVFACSYSCOM	COMNAVSEASYSYSCOM	COMNAVSUPSYSCOM
E1	y	y	y	y			y	u	u	u	n		u	y	y	u		u	y
E2	y	u	u	u			n	u	u	u	n		u	n	u	u		u	y
E3	u	u	u	u			n	u	u	y	n		u	n	u	u		u	y
E4	u	u	u	u			n	u	u	u	n		u	n	u	u		u	y
F1	y	y	y	y			y	u	u	u	n		u	u	u	u		u	y
F2	u	u	y	y			n	u	u	u	n		u	u	u	u		u	y
F3	u	u	u	u			n	u	u	y	n		u	u	u	u		u	y
F4	u	u	u	u			n	u	u	u	n		u	u	u	u		u	y
G1	u	u	u	u			u	u	u	u	u		u	u	u	u		u	u
G2	u	u	u	u			u	x	u	u	u		x	u	u	u		u	u
G3	u	u	u	u			u	u	u	u	u		u	u	u	u		u	u
G4	u	u	u	u			u	u	u	u	u		u	u	u	u		u	u
H1	z	z	z	z			y	z	u	z	z		y	z	y	u		u	z
H2	y	y	y	y			y	z	u	z	z		y	n	y	u		u	y
H3	z	z	z	z			z	z	u	z	y		z	z	z	u		u	y
H4	z	z	z	z			z	y	u	z	y		z	z	z	u		u	y



# APPENDIX C

## ACTUAL REPLIES TO APPENDIX A

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1. CINCPACFLT SPDLTR FF1-1 7300 SER 03C/4160 of 2 JUN 1977-----	82
2. CINCLANTFLT LTR 7000/FF1-2/N0422A3 of 7 JUN 1977-----	92
3. CINCUSNAVEUR LTR FF1-3 7000 SER 1262 U/0152 of 15 JUN 1977-----	130
4. CNET LTR CODE N-622 of 7 JUN 1977-----	135
5. CHNAVPERS LTR PERS-1323-TCM-PK SER 13/267 of 10 JUN 1977-----	139
6. COMNAVTELCOM LTR SER 10/10036 of 30 JUN 1977-----	142
7. COMNAVSECGRU LTR 5200 SER GD2/528 of 7 JUN 1977----	146
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12. COMNAVAIRSYSCOM LTR 0842A2/PGA of 9 JUN 1977-----	160
13. COMNAVELEXSYSCOM MEMO 1023:RJL:de 7000 SER 125-1023 of 14 JUN 1977-----	166
14. COMNAVSEASYSYSCOM LTR 074/BBK SER 265 of 13 JUN 1977-----	180
15. COMNAVSUPSYSCOM LTR 0111A/MBH of 31 MAY 1977-----	184





# Naval Speedletter

DO NOT CLEAR THROUGH  
COMMUNICATIONS OFFICE

TYPE OF MAIL REGULAR <input type="checkbox"/> REGISTERED <input type="checkbox"/> CERTIFIED SPECIAL DELIVERY	CLASSIFICATION	DATE	INSTRUCTIONS 1. Message type phraseology is permissible. 2. Both addresses must be appropriate for window envelope or bulk mailing, as intended. Include attention codes, when known. Use dots and brackets as guides for window envelope addresses. 3. Give priority to processing, routing, and action required. Avoid time-consuming controls. 4. In order to speed processing, a readily identifiable, special window envelope, OPNAV 5216/145A, Speedletter Envelope, is provided for unclassified speedletters where bulk mailing is not used. Other window envelopes also may be used. In bulk mail, speedletters should be placed on top of regular correspondence.
	IN REPLY REFER TO FF1-1 7300 Ser 03C/	02 JUN 1977 4160	

LCDR J. P. Monson  
 SMC 1758  
 Naval Postgraduate School  
 Monterey, CA 93940

DO NOT REFERENCES AND ENCLOSURES, IF ANY: TEXT AND SIGNATURE BLOCK

Subj: Use of the Financial Management Control (Performance Measurement)  
 Techniques of the Resources Management Systems for Operations

Ref: (a) CNO ltr Ser 92SA/87515 of 3 May 1977

Encl: (1) Outline of Data Requirements

Enclosure (1) is forwarded per the request in reference (a).



## OUTLINE OF DATA REQUIREMENTS

1. Key performance measurement factors used to evaluate activities within PACFLT are:

a. Direct Subordinate Operating Budgets (OB's):

(1) Obligation trends by Budget Classification Codes (BCC), Functional/Subfunctional Category (F/SFC), Expense Element (EE) and, obligation and expenses by cost account code (CAC).

(2) Work unit data and associated compensation for labor (See attachment (A) for specific procedure details of PACFLT productivity program and associated data.)

b. Subordinate Expense Limitation (TYCOM's and their subordinate activities):

(1) Obligation trend lines by major functional areas (primarily BCC's) for comparison with financial plan.

(2) Aforementioned data is analyzed in conjunction with operational factors which include:

- (a) Primary Mission Readiness Goals
- (b) Operation tempo (in days)
- (c) Aircraft cost per flying hour
- (d) Barrels of fuel consumed
- (e) Overhaul mandays

(3) Work unit data and compensation for labor (See attachment (A)) in expense limitation groupings of shore stations. Data is translated to graphs, examples provided as attachment (B).

2. These factors are expressed in both financial and non-financial terms (see above).

3. Data is collected as follows:

a. Summation of financial data in NAVCOMPT Forms 2170, 2199 and 2171 for all PACFLT operating budgets in the claimant accounting module (allocation accounting function) or CINCPACFLT. Data is collected at the activity level as described in NAVSO P-3006-1.

b. Fuel cost/consumption analysis data is derived from monthly "steaming hour reports" received in accordance with attachment (C). Engineering Department records are used to assemble the data reported by the ships.

ENCLOSURE ( / )



c. Aviation cost data and flying hour information is collected in accordance with the OPNAV directed flying hour report at the activity level. Pertinent data is summarized by the TYCOM and submitted to CINCPACFLT staff by means of a monthly message report. Detail flying hour reports are subsequently provided by OPNAV.

d. Ship overhaul information is received in monthly "Management of Shipwork Progress Reports" and "Departure Reports" which are rendered upon completion of the shipwork.

e. Work unit and compensation data is extracted from NAVCOMPT Form 2168, UMR-D (prepared in accordance with NAVSO P-3006-1) (See attachment (A)).

f. Other miscellaneous reports as required.

4. Data is normally reported from the activity level on a monthly basis and timely enough to facilitate budget execution.

5. The degree of utilization of this data in budget formulation and execution processes is extensive, primarily in obligation vice expense terms.

6. Data is presented to top management (CINCPACFLT) at least quarterly in terms of obligation rates versus plans, unfunded requirements and supporting rationale in primarily the categories denoted by BCC's. Normally presented by oral presentation with view-graph and hand-out aids.

7. Major funding priorities/objectives are decisions which emanate from these top management (CINCPACFLT) reviews. The Fleet Comptroller implements these decisions through communication with subordinate commands and activities and issuance of funding documents/revised funding plans.

8. Data provided to the funding sponsor (CNO) is primarily via established accounting procedures (NAVSO P-3014), budget calls, and special interest data on an "as required basis". The format ranges from broad functional areas to detail by CAC, e.g. Facilities Management data and includes both financial and non-financial data.

9. Other than normal report flows established by NAVCOMPT directive, very little information is passed to functional sponsors. Data required by Chapter 7, NAVCOMPT Manual Vol 3 is perhaps the most extensive involvement of data to a functional sponsor (i.e. NAVFAC). Occasional "feed back" is received in conjunction with the budget process, validation of data is primarily the reason for this communication.

10. Basis for performance measurement is primarily the established financial plan developed in conjunction with preestablished control/planning figures received from CNO. These plans are reviewed and updated no less frequently than quarterly and are promulgated in fund resource





allocation documents, letters and/or messages, e.g. fuel allocation controls as circumstances dictate. For example, revised OPTEMPO's may require very responsive financial plan realignment and promulgation of this information to the effected operational commanders. One hundred per cent of PACFLT funds are measured against financial plans. The extent of measurement varies with the category of funds and different methodology used. Shore station fund resources are measured in more finite terms than are ship supplies and equipage funds, for example.

11. The use of cost/performance data at the activity levels varies, depending on size of activity and the extensiveness of local procedures developed in conjunction with the authorization accounting activity. Observations by this major claimant are that the NAVCOMPT approach to financial management on a uniform basis by all shore activities is basically sound and local procedures which deviate from this concept (used in lieu of the NAVCOMPT procedures instead of an extension to) are not condoned. With the advent of the productivity measurement program the use of cost/performance data will be more extensive than it has in the past. System modifications are, however, desirable and are contained in attachment (D) for information.

12. Cost data is not available and the time allotted to respond to this correspondence did not provide adequate time to solícite input from subordinate activities. It is expected that the cost of data accumulation is not in excess of benefits since management analysis/internal reviews are essential to efficient and effective management.

13. The Navy's performance measurement system can be improved, it is believed, by the adoption of recommendations contained in attachment (D). Emphasis is placed on the need to interface all management systems so as to reduce redundancy in cost data/non-financial data collection systems. The cost accounting system should be used to the maximum and as the primary source of all associated data. The lead to achieve this end should be assumed by CNO in conjunction with NAVCOMPT. Perhaps a "systems review head" is needed to coordinate all management systems and reporting requirements in the OPNAV structure.







UNITED STATES PACIFIC FLEET  
(MAKALAPA, HAWAII)  
FPO SAN FRANCISCO 96610

IN REPLY REFER TO:

FF1-1

7000

Ser 03C/

2606

08 APR 1977

From: Commander in Chief U. S. Pacific Fleet  
To: Chief of Naval Operations

Subj: Recommendations to Interface O&MN Cost Accounting and Shore  
Required Operational Capabilities (SHOROC) Functional  
Descriptions

Ref: (a) OPNAVINST 5310.12A of 5 APR 1976  
(b) NAVCOMPT Manual, Paragraph 024640  
(c) CNO ltr ser 924D3/57828 of 28 AUG 1975

Encl: (1) Recommended Modifications to SHOROC and Cost Account Code  
Dictionaries

1. Reference (a) establishes the requirement to establish staffing standards based on functions performed. Functions used in Resources Management System (RMS) accounting are described in reference (b). Reference (c) directs the establishment of a system which would gather work units processed and required man years as a means to measure, evaluate and enhance productivity.
2. As previously discussed, the PACFLT approach to meeting the requirements of the productivity program (reference (c)) is to utilize the existing RMS cost accounting system, with certain refinements. In conjunction with the development of required refinements in the resource management system, it has been recognized that there would be significant benefit to interface the RMS system with the SHOROC format contained in reference (a). Interfacing of these systems will permit staffing, measurement and monitoring of required resources and productivity data from common functional descriptions and work units applicable to shore stations.
3. Toward this end, in-depth reviews have been conducted with Department Heads at nine selected PACFLT shore activities (e.g., NAS North Island, NAS Miramar, NAVSTA San Diego, NAVSTA Pearl, PHIBASE Coronado, SUBASE Pearl). The findings of these reviews have indicated that it is feasible and desirable to effect early modifications to the SHOROC and RMS dictionaries (of functions and work units). These modifications will align/interface staffing objectives with resources management and productivity data as a resultant by-product.
4. Enclosure (1), which sets forth recommendations for modification to references (a) and (b), is forwarded. Because PACFLT activities do not cover the total spectrum of functions performed by the Navy shore

Attachment (C)



Subj: Recommendations to Interface O&MN Cost Accounting and Shore  
Required Operational Capabilities (SHOROC) Functional  
Descriptions

establishment, the modifications recommended in enclosure (1) are not all inclusive. Consequently, the following additional recommendations are proffered:

a. That enclosure (1) be used as the basis/format for further review and development of recommendations under the concept of functional technical sponsors; for example:

- (1) BUMED review medical/dental functions;
- (2) CHNAVMAT/NAVSEASYSYSCOM review ship repair functions;
- (3) NAVINTCOM review intelligence functions;
- (4) CHNAVMAT/NAVSUPSYSCOM review supply functions;
- (5) CHNAVMAT/NAVFACENGCOM review facilities maintenance/construction functions.

b. A common concern expressed by most shore activities visited is the large volume of performance/staffing/productivity related reports currently submitted to higher authority and various other commands, both internal and external of the command chain. Examples include, 3-M reports, supply management, weapons management, personnel cost and management, etc. While many of these reports are obviously required, there is general concern that the use of these reports could be expanded to satisfy additional needs of other activities/commands vice, in many cases, a single office. Accordingly, a survey should be conducted of "requirements versus data availability" at all command echelons. As an example, the 3-M report which provides cost and manhour data by equipment, could perhaps be used to satisfy or augment staffing, productivity, and other reporting requirements. This indepth analysis could be conducted by the Navy Manpower and Material Analysis Centers (NAVMAC's) at most shore activities, in conjunction with the ongoing development of SHOROC staffing standards. It appears that this may be an opportunity to develop recommendations for overall improvement to the Navy's management systems having to do with data gathering, reporting, and report utilization. The ultimate goal would be to mechanically perpetuate any common reporting data from a basic report into any other report which require the same information. It is recommended that NAVMAC's be requested to develop an inventory of this data and recommendations to reduce the number of forms and reports by standardizing applications and eliminating redundancies.

c. That work unit/quantitative information generated in conjunction with SHOROC and the cost account code system be reviewed for application/use in the budget process. It appears that this interface would facilitate the development of financial budgets, whether conventional or zero base budgets.



Subj: Recommendations to Interface O&MN Cost Accounting and Shore  
Required Operational Capabilities (SHOROC) Functional  
Descriptions

d. As SHOROC definitions of functions are modified as a result of experience, it is recommended that close coordination be developed with the NAVACCTGFINCEN and functional sponsors to insure concurrent changes are made to the cost account code structure to insure a continued interfacing of these systems.

5. The intent of this letter is to set forth a proposed structure to interface SHOROC and the cost accounting system for resources management, with productivity data being generated as a by-product. Consequently, it is not intended to be construed as a final product with regards to the SHOROC or Cost Account Code Structure as presented in enclosure (1). Finalization of these structures can best be achieved through an exerted effort by all technical sponsors and system users, coordinated by CNO and the NAVACCTGFINCEN.



W. B. LOVELL  
By direction

Copy to:  
CINCLANTFLT  
NAVACCTGFINCEN Washington DC  
NAVMMACPAC



RECOMMENDED  
MODIFICATIONS TO  
SHORE REQUIRED OPERATIONAL CAPABILITIES  
(SHOROC)  
AND  
COST ACCOUNT CODES (CAC)





1. Recommended changes to "SHOROC" as contained in the attached functional schedules are intended to:

a. Add functions performed but not previously included in the Dictionary of SHOROC Tasking Terminology.

b. Realignment of certain functions for clarity/separate visibility of the functions considered significant/and warrant isolation.

c. Provide better scoping of functions by adding additional "Limiting Parameters" to certain functions.

d. Add aircraft types UP-3A and UC-118 to Table I for Aircraft Maintenance (ACM)

e. Define "minimal involvement" as being "one person or less" as it applies to the liaison functions.

2. Recommendations to modify the "Table of Limiting Parameter Codes" are as follows:

a. Delete the words "Per Month" where they appear and instead use "Per Year" and "In Thousands" as may be required.

b. Add the following additional parameters:

- (1) Number of Prisoners (SEC)
- (2) Average Number of Residents (PER)
- (3) Posts Manned (SEC)
- (4) Number of Users (Customers) (WEP)
- (5) Number of Assembly Lines (Weapons) (WEP)
- (6) Number of Users (WEP)
- (7) Number of Targets (WEP)
- (8) Number of Ship Days in Port (PSO)
- (9) Peak Workload Period in Days (FIN)
- (10) Number of Peak Workload Periods Per Year (FIN)
- (11) Allocated Manhours during Peak (FIN)
- (12) Number of Rations (SUP)
- (13) Number of Gallons (or modify GM or M2) (PSO)

c. Clarify the Limiting Parameter "T1: Ready on-board capability in hours per week" to be used only when the work week is other than 40 hours.

3. Recommended changes to Cost Account Codes (CAC) as contained in the attached functional schedules are intended to:



a. Align cost account codes with or provide identification to each function in the SHOROC dictionary. This is accomplished by revisions to certain CAC descriptions and work units and to indicate the SHOROC codes (of identification to the function) in the description of the CAC for cross reference purposes. Additionally, it is proposed that a Conversion Table of CAC and SHOROC codes be included in the NAVCOMPT Manual, this table will also assist the reader in finding the applicable CAC's for his area of interest.

b. A provision has been made to record all civilian leave hours to an "administrative CAC" (3rd and 4th positions "10") applicable to a major functional area. This will provide visibility of total man years/hours used in the function as required for productivity analysis. Heretofore leave hours have been accumulated in only the administrative function of the activity vice the cost center, however, costs are properly distributed to each CAC by means of the labor acceleration rate.

c. Where a function is accomplished by both station labor and contract or reimbursable work order the productivity rate for station forces becomes distorted. Accordingly, separate CAC's normally ending with "X" are established to differentiate between those functions performed in house and those by purchase transactions (Reimbursable Work Orders/contracts) to provide precise productivity efforts.

d. The administrative cost account code in each functional area (the 3rd and 4th positions being "10"), is intended to denote indirect costs as they pertain to the DOD productivity programs.

4. Asterisk's denote recommended changes.

5. Specific recommendations are not submitted for the following SHOROC mission areas but, instead, are deferred to the technical sponsors:

- (a) Construction of Shore Facilities
- (b) Dental
- (c) Environmental Support
- (d) Intelligence
- (e) Medical
- (f) Recruiting
- (g) Research, Development, Test, and Evaluation
- (h) Shore Facilities
- (i) Training





DEPARTMENT OF THE NAVY  
UNITED STATES ATLANTIC FLEET  
HEADQUARTERS OF THE COMMANDER IN CHIEF  
NORFOLK, VIRGINIA 23511

7000/FF1-2/N0422A3

7 JUN 1977

From: Commander in Chief U. S. Atlantic Fleet  
To: Lieutenant Commander J. P. MONSON, Naval Postgraduate School


Subj: Use of the Financial Management Control (Performance Measurement) Techniques of the Resources Management Systems for Operations

Ref: (a) CNO ltr Ser 92SA/87515 of 3 May 1977

Encl: (1) Outline of Data Requirements - COMSUBLANT  
(2) Outline of Data Requirements - COMNAVAIRLANT  
(3) Outline of Data Requirements - COMTRALANT  
(4) Outline of Data Requirements - COMNAVBASE NORVA  
(5) Outline of Data Requirements - COMNAVSURFLANT  
(6) Outline of Data Requirements - CINCLANTFLT

1. This command requested fleet subordinate commands and activities to comment on their current management control systems and to provide answers to the questionnaire, enclosure (1) to reference (a). Frankness and additional comments were encouraged. Enclosures (1) through (6) are forwarded.

2. Point of Contact: Mr. Don C. Gilpin, CINCLANTFLT (Code N0422A3), Autovon 690-6161.

  
R. L. CHASSE  
By direction



## OUTLINE OF DATA REQUIREMENTS - COMSUBLANT

### Use of Financial Management Control Techniques for NAVSO 3013 Activities

The following financial reports are used in the management control of ships and afloat units:

#### 1. Obligation/Expenditure Detail Report (O/EDR)

a. The O/EDR is prepared monthly by the Fleet Accounting and Disbursing Center, U. S. Atlantic Fleet (FAADCLANT). The report displays all Fund Codes for each UIC, obligations, credits received for Material Turned Into Store (MTIS), Matched and Unmatched expenditures and statistical ('B') Summaries. This data is summarized by ship type, class, Budget Activity and Appropriation by fund codes.

b. The O/EDR is used to formulate three year obligation averages by Fund Codes and total obligations for ships/afloat units. These averages provide the base for budget formulation. In budget execution, the O/EDR is used primarily to monitor ships/units obligation rates for selected unique fund codes e.g., Communications (FC'S') TYCOM funded Repair Parts for COSAL maintenance while ships are in overhaul (FC'B'), Charter and Hire (FC'K'), Purchased services (FC'U') etc.

c. This report is provided to CINCLANTFLT and to the applicable Type Commands.

#### 2. The Ship/Staff Status Report (S/SSR)

a. The S/SSR is prepared monthly by FAADCLANT. This report provides Operating Target and Budget status. The report displays, by UIC grouped within Squadron and Budget Activities, obligations, differences, matched and unmatched expenditures and unobligated balances. It displays squadrons operating targets and total funds authorized to COMSUBLANT by budget activity. This report does not display the full array of fund codes. (Fund Codes 'K', 'S', 'U', 'V', 'Z', and 'g' are combined with Fund Code 'C' and Fund Code 'B' is combined with Fund Code 'R'). The O/EDR is consulted when information pertaining to full range of fund codes is required.

b. The budget execution system utilized by COMSUBLANT is unique in that COMSUBLANT grants funds to squadron commanders to support their assigned units. Squadron Commanders perform all financial reporting for their units, e.g., requirements, Budget/OPTAR Report (NAVCOMPT Form 2157,) etc. The S/SSR provides data used in COMSUBLANT Memorandum

Enclosure ( / ) to CINCLANTFLT







reports that measure squadron management of their assigned funds.

c. The S/SSR is provided to CINCLANTFLT and to the applicable Type Commander.

3. Budget Classification/Functional Category/Expense Report (NAVCOMPT 2171)

a. The NAVCOMPT 2171 is prepared monthly by FAADCLANT, and is provided to CINCLANTFLT and the applicable Type Commander. Its input is based on obligations reported by ships/afloat units on their Budget/OPTAR Report (NAVCOMPT 2157) and includes the value of difference reported by FAADCLANT. The report provides obligations and expenses categorized by Budget Classification Codes and Functional/Sub-Functional categories and data for input into the Navy Cost Information System (NCIS). The report also shows obligations and expenses, both current month change and fiscal year to date totals.

b. This report is used to monitor and analyze program performance against COMSUBLANT's Annual Financial Plan (AFP). It provides the base from which adjustments are made to the AFP.

4. The Fleet Resource Office Management Analysis Report (FROMAR)

a. This is prepared monthly by CINCLANTFLT based on data contained in the NAVCOMPT 2171. It compares program performance against COMSUBLANT's Annual Financial Plan (AFP) and displays obligations for current month, average month, Fiscal Year to Date (FYTD), annual plan, percent of annual plan and projected fiscal year obligation.

b. Revisions to COMSUBLANT's AFP are based on data contained in the NAVCOMPT 2171 since this report is received approximately 15 days to five weeks prior to receipt of the FROMAR. The FROMAR was designed to provide a timely consolidated display of performance versus financial plan for the budget execution year. The lack of timeliness of the FROMAR renders it practically useless to Type Commanders, who must resort to using the NAVCOMPT 2171 to measure performance against annual financial plan and make necessary adjustments. It is requested that necessary action be taken to provide the FROMAR on a timely basis.

5. Trial Balance Report (NAVCOMPT Form 2199)

a. The NAVCOMPT 2199 reports the financial status of the responsibility Center Operating Budget funds (both direct and funded reimbursable).



It displays prior and current month debits and credits for COMSUBLANT's assets and liabilities by General Ledger Accounts.

b. The paramount interest in this report is the current month's balance in General Ledger Account 3200 - Uncommitted/Unobligated Authorizations - Direct Program. This displays the unused balance of resources received FYTD from which assigned programs must be supported. This data is used to verify unobligated balances provided by other financial reports.

c. This report is provided by FAADCLANT to CINCLANTFLT and to applicable Type Commanders.



## Financial Management Control Techniques for 3006 Activities

The views expressed are based on the quantitative data (work unit or output measurement) contained in the Resources Management System Handbook NAVSO P-3006-1, more specifically the data reported through the NAVCOMPT Reports 2168, 2169, 2171 and 2199 of the U. S. Naval Submarine Base and the Naval Submarine Support Facility located at New London, Connecticut. The NC 2168 report reflects detailed cost data by lowest cost centers, cost accounts, and elements of expense. The NC 2169 is a summary of the NC 2168 arrayed by summary functional level; the NC 2171 contains detailed expense element data and the NC 2199 is an asset/liability financial statement.

1. What key performance measurement factors are used to evaluate the activities within your command?

Response: Primarily, whether the activities are in a present favorable position obligations rate-wise, considering total obligations and individually by targeted items such as travel, maintenance of real property and human goals. This is determined from the NC 2171 and NC 2199 reports. Secondly, the NC 2169 is reviewed from the total actual expenses versus budgeted expenses. As far as analyzing the work units collected on the NC 2168, little review is made. Only the obvious may be detected, such as work units collected and dollar amounts are missing, or vice versa.

2. Are these factors expressed in both financial and non-financial terms?

Response: Yes, NC 2199 is generated entirely of financial data, whereas, the other reports contain both financial and non-financial data.

3. How is data on these factors collected at the activity level and forwarded to your command?

Response: The data is assembled in accordance with the P3006-1 handbook and CINCLANTFLTINST 7310.5G. Manual data (payroll data, supplies summaries, requisitions, etc.) is transferred to mechanized formatted procedures.

4. How often is this data reported from the activity level to your command? How timely is the data?



Response: The data is reported monthly. Since September 1976, the Submarine Base and the Support Facility have experienced difficulties in the preparation and receipt of the RMS reports due to the implementation of the newly acquired Uniform Automated Data Processing System (UADPS) applications at the Submarine Base. As of the April 1977 reporting period, it appears that the RMS will be processed within the prescribed timeframes.

5. To what degree is this data utilized in the budget formulation and/or budget execution processes?

Response: Since this is a build-up of historical data, it plays a major part in the planning, programming and budgeting evolution.

6. Which of this data is presented to top management at your command? How is it presented?

Response: From the RMS reports, both financial and non-financial data is assembled and presented to the Comptroller for further dissemination and/or use. Copy is attached.

7. What decisions are made from this data? Who makes these decisions?

Response: Experience has shown that the data is informational, used for clarification of functions being performed, determination of where reimbursable efforts are focused, etc. This data often is used to quantify units and dollars to be transferred or acquired relating to functional transfers. The final managerial decisions are made by the COMSUBLANT Force Comptroller.

8. Which data is provided to your funding sponsor? How often is this done?

Response: All the RMS data is provided to CINCLANTFLT on a monthly basis.

9. Which data is reported to functional sponsors, e.g., MRP to NAVFAC? What do they do with this data? Do you receive any feedback?

Response: The data relative to the MRP function and other Facilities Management is used extensively in submitting the budget requirements in this area. Of the funding available to the two COMSUBLANT shore activities, approximately 55-60% is used in Facilities Management. Apparently, the work units are well thought out and describes what the technicians recognize as the best acceptable unit. It is apparent that





the Facilities Managements functions are well structured, well described and given a thorough review both from the actual expenses processed and planned requirements. Inquiries have been received from higher headquarters Facilities Management personnel requesting verification and validation of work units and/or monetary amount. There has been limited evidence indicating that other sponsors undertake such a review.

10. What are your bases for performance measurement? How were these bases established? How often are they updated? How are these bases promulgated? What percentage of your funds have performance measures?

Response: Since the Commanding Officers of both COMSUBLANT activities have indicated their interest lies primarily in their obligation rates and performing their mission economically little effort has been made to revise the measurements. Those prescribed have been accepted. A concerted effort has been made to report accurately as it is recognized that the performance measurements may be used at higher levels individually or collectively. Dollar-wise all funds are measured and analyzed. From an engineered standard approach, approximately 80% of the funds are measured.

11. What use is made of the cost/performance data at the activity level?

Response: The cost data is closely reviewed. Certain performance data is reviewed, individually the cost of boiler plant operations, cost of repairing buildings, intra station moves, etc. Again the Facilities Management functions are closely monitored.

12. What is the estimated annual cost of your performance measurement system? Is the cost of data accumulation less than, equal to, or in excess of the benefits derived?

Response: The cost of the COMSUBLANT and Shore Activities Comptroller Staff effort has been estimated at \$3,000 per year. This does not include costs of the data processing effort (software and hardware).

13. How can the Navy's Performance Measurement System be improved to meet your needs? Who should take the lead in this improvement effort?

Response: It is evident that efforts have already been taken to improve the system. The Uniform Management Report has been tailored to the individual needs of the Station Commanding Officer and Financial Manager. Some activities lend themselves and require production and staffing data. Some are satisfied with present measurement standards. A continual program, through the prime sponsor, of requesting and evaluating proposed changes should be encouraged. At a recent Financial Management Seminar, financial managers were advised of the DOD Productivity Program and ob-



jective: "- - - to attain the highest level of Defense preparedness with available resources." It is evident from monetary reductions received that the productivity effort has been tracked and the reductions have been based on the DOD goal of the civilian work force attaining a productivity increase of 1.7% per year. Continual orientation and training on the use of work/performance standards should be offered to Commanding Officers and Financial Managers at levels below the Department of Defense.



REVIEW AND ANALYSIS  
COMMANDER SUBMARINE FORCE  
NORFOLK, VIRGINIA  
FOURTH QUARTER  
FY76  
SUBMARINE BASE  
SUPPORT FACILITY

Prepared by:  
Office of the  
Comptroller



U. S. NAVAL SUBMARINE BASE

NEW LONDON, CONN.

FOURTH QUARTER  
FY76





REVIEW AND ANALYSIS  
NAVAL SUBMARINE BASE  
NEW LONDON, CONN.  
30 June 1976

Funds Data

Annual Planning Figure	\$11,096,000
Annual Planning Figure (NOA)	11,096,000
Obligations Incurred	11,064,919*
Rate of Obligation-Actual	99.7%
Rate of Obligation-Target	99.6%
Reimbursable Orders Received	9,962,815
Reimbursements Earned	7,665,559
Reimbursable Unfilled Orders	2,297,256
Rate of Obligation	100%

Functional Categories Costs

D1 - General Administration	
E1 - Supply Operations	
F2 - Maintenance of Service Craft	
F4 - Maintenance of Weapons & Electronics	
H1 - Surplus Property	
J1 - Dental Operations	
L1 - Base Services	
L7 - Operations & Maintenance - Transportation Equipment	
M1 - Maintenance of Real Property	
N1 - Operation of Utilities	
P1 - General Engineering Support	
R1 - Minor Construction	
S1 - Personnel Support & Human Goals Program	

Direct Expense

Reimbursable Expense

Total Expense

\$2,496,070	\$	85,857	\$2,581,927
1,724,295		100,343	1,824,638
18,937		3,793	22,730
-0-		1,004	1,004
-		4,113	4,113
279		-	279
984,832		379,731	1,364,563
868,901		107,948	976,849
2,002,448		2,772,878	4,775,326
2,763,882		5,087,284	7,851,166
1,931,421		632,558	2,563,979
114,477		1,005,136	1,119,613
1,490,583		52,075	1,542,658
\$14,396,125		\$10,232,720**	\$24,628,845
		Undistributed	12,150
		Expense	\$24,640,995

\*Includes \$895,672 direct unfilled orders

\*\*Includes \$39,360 MilPers



REVIEW AND ANALYSIS  
NAVAL SUBMARINE BASE  
NEW LONDON, CONN.  
30 June 1976

<u>Expense Element Costs</u>	<u>Direct Expenses</u>	<u>Reimbursable</u>	<u>Total Expenses</u>
Military Services	\$ 3,260,571	\$ 39,360	\$ 3,299,931
Civilian Labor	6,096,810	1,124,292	7,221,102
Material and Supplies	5,391,510	1,968,971	7,360,481
Commercial Contracts	2,800,132	3,873,721	6,673,853
Other	(3,152,898)	3,226,376	73,478
	<u>\$14,396,125</u>	<u>\$10,232,720</u>	<u>\$24,628,845</u>

<u>Functional Categories</u>	<u>CIVILIAN AND MILITARY LABOR DATA</u>				<u>Total</u>			
	<u>(Direct man hours)</u>		<u>(Reimbursable man hours)</u>		<u>(Direct man hours)</u>		<u>(Reimbursable man hours)</u>	
	<u>MIL</u>	<u>CIV</u>	<u>MIL</u>	<u>CIV</u>	<u>MIL</u>	<u>CIV</u>	<u>MIL</u>	<u>CIV</u>
D1 - General Admin	271,944	313,101	-0-	-0-	271,944	313,101	-0-	-0-
E1 - Supply Ops	68,234	167,140	6,024	7,496	74,258	174,636	-0-	-0-
F2 - Maint of S/Craft	-0-	1,406	-0-	-0-	-0-	1,406	-0-	-0-
F4 - Maint of Wpns & Elec	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-
H1 - Surplus Prop	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-
J1 - Dental Ops	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-
L1 - Base Services	71,768	59,437	-0-	255	71,768	59,692	-0-	-0-
L7 - Transp Sup	-0-	95,923	-0-	6,105	-0-	102,028	-0-	-0-
M1 - Maint of Real Prop	-0-	108,493	-0-	79,968	-0-	188,461	-0-	-0-
N1 - Operation of Util	-0-	77,162	-0-	8,164	-0-	85,326	-0-	-0-
P1 - Gen Engr Sup	66,648	120,352	-0-	36,618	66,648	156,970	-0-	-0-
R1 - Minor Const	-0-	3,642	-0-	6,585	-0-	10,227	-0-	-0-
S1 - Pers Sup & Human Goals Prog	114,990	8,171	-0-	-0-	114,990	8,171	-0-	-0-
	<u>593,584</u>	<u>954,827</u>	<u>6,024</u>	<u>145,191</u>	<u>599,608</u>	<u>1,100,018</u>	<u>286</u>	<u>525</u>
	283	456	3	69				
	<u>2,096</u>							
	<u>Man Hours</u>	<u>Man Years</u>	<u>Man Hours</u>	<u>Man Years</u>	<u>Man Hours</u>	<u>Man Years</u>	<u>Man Hours</u>	<u>Man Years</u>



### Submarine Base Narrative

On 31 March 1976, SUBASE held an annual planning figure of \$10,566,000. During the fourth quarter the following programming actions were taken:

Previous Financial Plan	\$10,566,000
Intra-station moves	+
Mgt Handling Equip	+
Sta Support Equip	+
Cleaning of Fuel Tanks	+
Station Operations Inc.	+
Prep of E15, Channel Dredging	+
	85,000
	10,000
	35,000
	60,000
	315,000
	25,000
Final New Obligational Authority and Financial Plan	\$11,096,000

SUBASE incurred \$11,064,919 obligations or 99.7% of their annual planning figure. This is considered to be a satisfactory rate.

#### General Information:

- Maintenance of Real Property - \$1,631,679 obligations incurred against a \$1,588,000 target, obligation rate 102.75%.
- Civilian personnel on board 6/30/76 - 524 versus a ceiling of 515.
- Military personnel on board - 23 officers and 270 enlisted versus an allowance of 26 officers and 313 enlisted.



U. S. NAVAL SUBMARINE SUPPORT FACILITY

NEW LONDON, CONN.

FOURTH QUARTER  
FY76





REVIEW AND ANALYSIS  
 NAVAL SUBMARINE SUPPORT FACILITY  
 NEW LONDON, CONN.  
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Funds Data

Annual Planning Figure	\$ 953,000
Annual Planning Figure (NOA)	953,000
Obligations Incurred	949,999*
Rate of Obligation-Actual	99.7%
Rate of Obligation-Target	99.6%
Reimbursable Orders Received	1,128,959
Reimbursements Earned	957,728
Reimbursable Unfilled Orders	171,231
Rate of Obligation	100.0%

Functional Categories Costs

	<u>Direct Expense</u>	<u>Reimbursable Expense</u>	<u>Total Expense</u>
D1 - General Administration	\$ 863,880	\$ 8,050	\$ 871,930
F2 - Maintenance of Service Craft	5,742,692	158,448	5,901,140
F4 - Maintenance of Weapons & Electronics	-0-	2,284,819	2,284,819
L1 - Base Services	1,242,201	3,126	1,245,327
	<u>\$7,848,773</u>	<u>\$ 2,454,443**</u>	<u>\$10,303,216</u>
			Undistributed 289
			<u>\$10,303,505</u>

\*Includes \$190,880 direct unfilled orders  
 \*\*Includes \$1,438,109 MiPers



REVIEW AND ANALYSIS  
 NAVAL SUBMARINE SUPPORT FACILITY  
 NEW LONDON, CONN.  
 30 June 1976

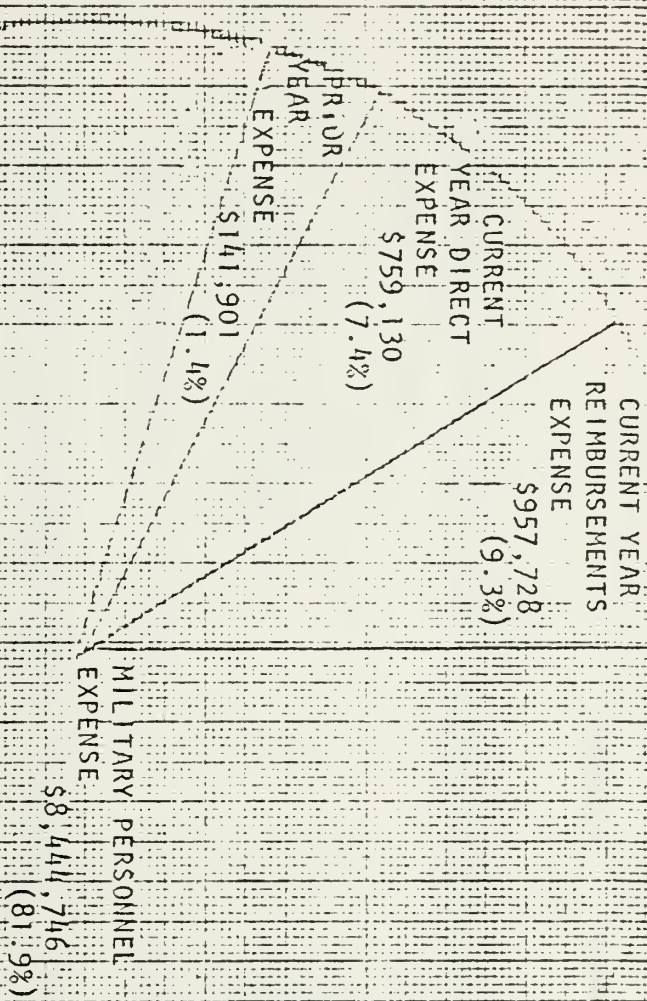
<u>Expense Element Costs</u>	<u>Direct Expenses</u>	<u>Reimbursable</u>	<u>Total Expense</u>			
Military Services	\$7,006,637	\$1,438,109	\$ 8,444,746			
Civilian labor	425,166	624,183	1,049,349			
Material and Supplies	382,551	362,583	745,134			
Commercial Contracts	20,399	16,948	37,347			
Other	14,020	12,620	26,640			
	<u>\$7,848,773</u>	<u>\$2,454,443</u>	<u>\$10,303,216</u>			
	CIVILIAN AND MILITARY LABOR DATA					
	(Direct man hours)	(Reimbursable man hours)	<u>Total</u>			
<u>Functional Categories</u>	<u>MIL</u>	<u>CIV</u>	<u>MIL</u>	<u>CIV</u>		
D1 - Gen Admin	131,731	42,782	-	472	131,731	43,254
F2 - Maint & Op-Serv Craft	991,816	44,590	-	279	991,816	44,869
F4 - Maint of Weapons	-0-	-0-	277,506	75,845	277,506	75,845
L1 - Base Servs	249,773	-	-	-	249,773	-
TOTAL	1,373,320	87,372	277,506	76,596	1,650,826	163,968
÷ 2,096 Man hours	655	42	132	37	787	79
	Man Yrs	Man Yrs	Man Yrs	Man Yrs	Man Yrs	Man Yrs



# ACCOUNTS 810 AND 820 - EXPENSE CONTROL

## SUBMARINE SUPPORT FACILITY

30 June 1976





## Naval Submarine Support Facility Narrative

On 31 March 1976, Support Facility held an annual planning figure of \$833,000 and during the fourth quarter, the following programming actions took place:

Amendment #4 Financial Plan		\$833,000
Service Craft Overhaul	+	80,000
Service Craft SOAP	+	9,000
Security Alarm System	+	6,000
Base Operations Increase	+	25,000
Final New Obligational Authority and Financial Plan		\$953,000

Based on the above financial plan of \$953,000 the Support Facility achieved a 99.7% obligation rate (\$949,999). This is considered to be a satisfactory rate.

At the end of the fourth quarter, Support Facility reported 81 civilians on board against a ceiling of 81; 777 enlisted and 32 officers versus an allowance of 810 enlisted and 25 officers.





OUTLINE OF DATA REQUIREMENTS - COMNAVAIRLANT

FINANCIAL COMMENTS  
SHORE ACTIVITIES

1. NAVCOMPT Forms 2199 and 2171
2. Financial only
3. Assignment of Job Order Numbers (JON) to all transactions, which is perpetuated through the Supply and Accounting System. Additionally, transactions are identified to Budget Classification Code (BCC) Functional/Sub-Functional (F/SF) category and Element of Expense (EE). Data forwarded to this command in reports, paragraph 1 above.
4. Monthly. Due 13th of month following reported month. Data normally received in timely manner.
5. Data used extensively to track program execution versus financial plan. Historical data (obligations) use in subsequent years budget submission to reflect estimated requirements.
6. NAVCOMPT Form 2171 data. Memorandum, Chart and Graph display.
7. Decisions regarding Program budget transfers by Project Managers, Comptroller or Commander. Decisions regarding tempo of operations to ensure funding availability.
8. Funding sponsor receives same data as Type Commander. Monthly.
9. N/A
10. Performance measurement of all funds required to remain within funding limitations/restrictions imposed by Congress, CNO, and CINCLANTFLT. Updated annually and promulgated by message or letter.
11. Data utilized for Commanding Officer presentations/appraisal to present status of funds, obligation rate and trends and to identify unfunded requirements.
12. Cannot determine
13. Continue efforts to bring the Budget and Accounting Systems into alignment. More accurate definition of Cost Accumulation Elements. CNO and NAVCOMPT should take lead in improvement effort.

FINANCIAL COMMENTS  
OPERATING FORCES

1. Budget OPTAR Report - NAVCOMPT Form 2157
2. Financial and non-financial

Enclosure ( 2 ) to CINCLANTFLT



3. Data collected from transaction documents and log books forwarded by message.
4. Monthly. Data is normally timely.
5. Used extensively to track program execution versus budget plan. Provides historical data to form basis for unit cost and cost at various tempo of operations used in budget formulation.
6. Obligation data compared to plan, cost per flight hour and deviation, POL, maintenance and administrative cost. Presented to top management in charts, computer listings, memorandums or verbally.
7. Decisions include reprogramming resources and changes to tempo of operations by Project Managers, Comptroller or Commander.
8. Funding Sponsor receives same data after summarized by TYCOM into various formats. Monthly.
9. Flying Hour Cost data provided to CNO and CINCLANTFLT. Data used by CNO to track cost per flight hour and development of standard deviation for each flight hour. Feedback from CNO reflecting data received and published OP-20 deviation.
10. Performance measurement required for all resources due to funding limitations imposed by CNO and CINCLANTFLT. Updated annually and normally promulgated by letter.
11. Commanding Officer presentations advising status of funds, flying hour performance and identification of unfunded requirements.
12. Cannot determine. Data accumulation is essential requirement for accounting purposes; therefore, cost of benefits would be worthwhile and acceptable.
13. Continue efforts to bring the Accounting and Budget System into alignment. CNO/NAVCOMPT action.



## SUPPLY COMMENTS

1.
  - a. Budget OPTAR Report - NAVCOMPT Form 2157
  - b. Shipboard Inventory Management Report (SIMAR)
  - c. Financial Inventory Control Ledger (FICL)
  - d. Supply Effectiveness Report
  - e. Air Operations Summary
  - f. NORS/NFE Status Report
  - g. AWP Management Report
2. Financial and Non-Financial
3. Transaction documents normally processed on a computer and submitted on computer listings, message or typed report.
4. Monthly, except 1e and f above which are received daily when unit/activity is deployed. Data is normally timely.
5. Data used extensively in budget formulation and to track execution.
6. All reports are used as submitted, or in part, to provide management an appraisal of performance. Presented verbally, in charts or memorandum form.
7. Decisions are made regarding funding allocations, logistic support and operational status of activities. Decisions are made from Section Heads to top management.
8. Funding sponsor receives most data from summary financial and non-financial reports, but does not receive the initial reports. Monthly or as required.
9. N/A
10. Prescribed Supply and Financial Reports established by NAVCOMPT, NAVSUP, CINCLANTFLT and COMNAVAIRLANT. Updated as required and normally promulgated by Instruction. All funds have performance measures.
11. Provides vehicle whereby activity performance can be compared to established goals and objectives. Depicts areas requiring corrective action and assists in proper utilization of personnel.
12. Cannot determine.
13. Current performance system provides necessary information for activity and management purposes.





FACILITIES MANAGEMENT  
COMMENTS

1.
  - a. NAVCOMPT Forms 2168 and 2169
  - b. Annual Inspection Summaries (AIS)
  - c. Utilities Cost Analysis Report (UCAR)
  - d. Transportation Cost Reports
  - e. Housing Cost Reports
  - f. Defense Energy Information System (DEIS) Report
2. Financial and Non-Financial
3. Data collected in log books and transaction documents and forwarded to this command in the form of various reports.
4. Quarterly except for Annual Inspection Summaries (AIS). Data is normally timely.
5. Extensively, particularly during budget preparation.
6. Report data is not presented to top management as received, but used as basis for recommendations to and briefing of top management.
7. Decisions are made regarding allocation of resources, ceiling points and request for additional funds by the Project Manager, Comptroller, ACOS or Commander. Decisions based on obligation rate, performance against established fund targets or goals, vehicle repair backlog and allowance, type of expenditures and personnel manning standards.
8. Except NAVCOMPT Forms 2168/2169, funding sponsor has access to all reports, either receiving direct from activities or from Engineering Field Division representatives.
9. Facilities management functional sponsor has access to all available data. Use of data is not known and no feedback is received.
10. Reports required by functional sponsors such as Public Works maintenance utility, transportation and management offices (NAVFAC), NAVSUP, NAVCOMPT, FLEET and TYPE Commanders. Performance measures apply to all funds.
11. Monitor facilities maintenance performance against budgeted plans and funds available.
12. Cannot determine.
13. The Performance Measurement System can be improved by more precise definition of Command objectives, acceptable performance levels, workload units and performance indicators. CNO, NAVCOMPT, NAVFAC and NAVSUP.





## OUTLINE OF DATA REQUIREMENTS - COMTRALANT

1. The primary performance measurement factor used to evaluate subordinate commands is the amount of obligations as compared with the annual financial plan.
2. The factor is expressed in financial terms solely.
3. This data is collected on a continual basis as transactions become valid obligations and is forwarded through official accounting reports.
4. Data is reported on a monthly basis and is received 15-21 days after the end of the month reported upon. Management decisions could be more effective if data had immediate availability through on-line computer equipment.
5. This data is somewhat utilized in the budget formulation process and extensively utilized in the budget execution process.
6. Summary data is presented to top management through manually prepared summary sheets.
7. Funding allocation decisions are made by top management.
8. This identical data is provided to the major claimant also on a monthly basis.
9. No feedback is received from the functional sponsor.
10. Basis for performance measurement is the activity financial plan which is prepared, or updated with each change to the funding authorization or internal reprogramming action. Activities submit financial plans in designated formats with brief explanation of change.
11. Performance data is extensively used at the activity level to ensure funds are adequately and effectively utilized.
12. Annual cost of this performance measurement program cannot be determined. However, whatever the cost, this data is required to adequately manage financial resources within authorized levels.
13. Financial management can be greatly improved by implementing a timely response system, such as, on-line computer equipment with access to current data by the activity and the Operating Budget (OB) grantor.

Enclosure ( 3 ) to CINCLANTFLT



The following comments are offered from a comptroller department of a major industrial naval air station who obtains facilities management services from a public works center and performs services for a naval air rework facility on an allocated reimbursable basis:

1. Work units by cost account and financial plan by functional category and expense element within each department.
2. Factors are expressed in both financial and nonfinancial terms.
3. Data is accumulated at departmental level, consolidated and input into financial system for inclusion into formalized AAA report. Data is input at job order level on financial plan and summarized by AAA into station UMR and 2199. Financial plan is input by Budget Division, Comptroller Department from current financial records. Nonfinancial input is received directly from departments.
4. Information is reported monthly. Work unit data for NARF is reported in a timely manner. Work units from PWC and from portions of formal AAA report are one month in arrears. Financial data is current through close of the accounting period.
5. This data is used as a basis for budget formulation and as a check-point in actual execution, taking into consideration that a portion of the nonfinancial data is one month in arrears.
6. Data presented to top management includes:
  - Summary of Station Funding
  - Summary of Civilian Personnel
  - Statement of Resource Availability/Distribution
  - Budget Control to Resource Authorization Track
  - Resource Authorization/Execution Track
  - Departmental Annual Planning Figures
  - Detail of APF (Annual Contracts & Other Contract Services)
  - NARF Allocated Reimbursable Plan
  - Functional Transfers/Workload Changes (Budget Base Impact)
  - Status of Functional Transfers
  - Financial Plan Performance (By Department)
  - Financial Plan Performance (Fromar Summary by BCC/FSF)
  - Financial Plan Performance (Fromar Summary by E/E)

Enclosure ( 4 ) to CINCLANTFLT



Financial Plan Performance (NARF Allocated Reimbursable)

Analysis of Allocated Reimbursable

Fiduciary Analysis from EOB Financial Report (NAVCOMPT 2199)

Travel of Personnel - Special Interest Item

This is presented monthly as a consolidated financial management report.

7. Decisions made from this report include personnel management, one-time funding (special purchases, equipment, contractual purchases, etc.), annual funding plan, APF reprogramming, etc. Recommendations for forthcoming decisions are made by the Budget Officer. Decisions are made by the Deputy Comptroller, Comptroller, Executive Officer and Commanding Officer.

8. Not applicable at this level.

9. Not applicable at this level.

10. a. Bases for performance measurement: Work units as established by NAVCOMPT and OPNAV, and financial plans.

b. How were they established? Work units and associated definition and point of count are established by NAVCOMPT and OPNAV. Financial plans are based on historical data plus or minus any known variance plus any additional requirements with no historical background.

c. How often updated? As required. However, NARF work unit costs are reviewed annually per OPNAVINST 7600.1.

d. How are these bases promulgated? Per NAVCOMPT Manual and OPNAVINST.

e. Percentage of funds having performance measures: Approximately 75%.

11. Used to adjust spending plan, determine which subfunctional areas are over/under spending to budget plan, obtain exceptional data (work unit cost, costs accrued per specific cost account, travel costs, printing costs) and various other costs too numerous to list.

12. Estimated cost is not available. It is considered that benefits derived are in excess of costs.

13. Some of the shortcomings of the Navy's Performance Measurement System as it is currently designed are as follows:





a. The system consists of numerous divergent Navy Performance Measurement Subsystems. For example, the Navy Supply System and the maintenance system (3M) have numerous measures and standards which measure not only the quantity of work done but also the quality. The RMS system measures quantity only, but the quantitative measures of the three systems are incompatible. Another system which measures quantity only is SHOROC/SHORSTAMPS. This system is designed to be the eventual basis of Navy-wide personnel allocations, but the system is designed around functional areas which are in no way related to the cost accounts identified under RMS, for example, while each of these subsystems speaks to different (possibly overlapping) subjects, the common theme in all of them is the measurement of performance. It should be both feasible and valuable to design such systems as part of an overall "umbrella" system which would draw out the work measurement data from subsystems, would assimilate it and provide outputs which might use data from all the subsystems. The lead in this effort would have to come from very high in the Navy chain of command. Actual implementation would be the responsibility of one of the Navy's major computer systems design offices.

b. In addition to needing an overall integrated performance measurement system, the system should measure quality as well as quantity. Often quantity increases at the expense of quality, with the result that supposed dollar savings in one area actually result in increased costs in another area. What is needed is an integrated system which measures not only quantities of man-hours, work units and dollars, but also the quantity of work done right and the ultimate cost of work done wrong.





The following comments are offered from a headquarters level responsible for funding two major shore activities (one naval air station and one naval station):

1. and 2. Performance is generally measured in financial terms. A financial plan is developed and updated as required for each station. The plan includes functional category and expense element. Each month actual obligations are reflected against the plan and significant variances reviewed.

3. and 4. The following reports are received monthly:

<u>Report</u>	<u>Prepared By</u>	<u>Received Approximately</u>
UMR	AAA	20th of the following mo.
NC 2171	AAA	20th of the following mo.
NC 2199	AAA	20th of the following mo.
NAVSO 7410-1	AAA	23rd of the following mo.
NAVSO 12280/12	NBCPO	5th of the following mo.
FROMAR	CINCLANTFLT	12th of 2nd following mo.

The time lag between the end of the month and the receipt of report is a problem. In addition, backlog in processing documents both in the operating departments and the AAA along with such things as "drop from inventory" dates add to the problem.

5. The financial data accumulated is used to prepare the prior year data required for the budget and also as a basis for projecting current and budget year data. In addition, selected workunit data are used in the budget formulation, particularly in the facilities management area.

6. Charts are updated monthly and presented to top management. These include the following by activity and in total:

- O&MN plan vs. actual
- MRP plan vs. actual
- Travel plan vs. actual
- ADP plan vs. actual
- OPN plan vs. actual
- External PAO plan vs. actual
- CIVPERS ceiling vs. onboard

7. Day-to-day personal and telephone contact is maintained with the activities involved. These contacts along with the financial data reported monthly and the mid-year review are the basis for allocation of funds and CIVPERS, reprogramming and reclama actions. Workload data is used to substantiate increased requirements in specific instances, such as: funds required as a result of the cold weather; resources required to process hearing loss claims, etc. Staffing standards are also used, where available, such as firemen required; personnel required in safety offices and personnel offices. Decisions for reprogramming and reclama are recommended by the Comptroller and approved/disapproved by top management.



8. Unknown.

9. The only information we furnish directly to a functional sponsor is a copy of the facilities management section of the budget to JANTNAVFACENGCOM. No feedback is received.

10. Any work units used are normally those described in NAVCOMPT Manual Vol II. Any nonfinancial performance measurements used are based on statistical data or pre-determined standards developed by function sponsors.

11. Based on personal contact with the activities, very little.

12. Unknown.

13. The Navy needs to develop a performance measurement system that incorporates:

- a. Clearly defined meaningful work units and point of counts.
- b. Acceptable performance levels.
- c. A monitoring system.
- d. System must be standardized and yet tailored to each activity.
- e. A system of detailed measurement at the lowest level and an overall type of indices as it moves up the chain of command.
- f. Reports must be available by the 13th day of the following month.

The problem with any system is that it must be in precise detail at the lowest level but as it moves up the chain, the sheer volume of work in analyzing performance at the Cost Account level is impossible. With the limited resources (funds and personnel) available, detailed analyses must be accomplished routinely on broad workload indicators. The lead in this improvement must originate at the top - standardization is a must in an overall budget review.

The development of Shore Requirements, Standards and Manpower Planning System (SHORSTAMPS) is geared in part to measurement of workload. As this system progresses, standardized work measurements will be developed. If SHORSTAMPS and RMS reporting systems can be integrated, this may be the answer to the Navy's Performance Measurement System. Efforts to improve the Navy's Performance Measurement System should be coordinated with SHORSTAMPS rather than going off on another tangent.



The following comments are from the Supply Department of an industrial naval air station:

1. The key performance measurement factors used in evaluating the supply function are the following:
  - a. Timeliness of issue and receipt processing
  - b. Referral bounce back rate
  - c. Warehouse refusal rate
  - d. Inventory adjustment values
  - e. Supply Distribution and Inventory Control Operations Report
  - f. (RMS) work unit productivity
  - g. (RMS) cost per work unit

The first four of these indicators are primarily qualitative; the rest are primarily quantitative

2. Most of these factors are not expressed in financial terms. The work unit productivity is the only factor expressed in financial terms also, as the cost per work unit.

3. Due to the fact that NAS NORVA is a primary stock point, storing about 200,000 line items, data is collected in several ways. Many quantitative measures are accumulated through the local computerized supply system (UADPS-SP). The referral bounce back rate is provided by ASO. Most qualitative measures are computed by UADPS-SP. Other quantitative and qualitative measures are accumulated manually by first line supervisors and consolidated and reported by a central office.

4. Data is reported monthly. Data accumulated by the computer is timely. Data accumulated through manual counts is one month in arrears.

5. The RMS factors are used in budget formulation and execution. The other measures are used to gauge and improve performance.

6. All of this data is provided to the Supply Officer, most on a day-to-day basis in a composite Production Analysis Report.

7. Decisions are made regarding methods improvements, personnel allocation, special purchases, etc.

8. N/A



9. N/A

10. Work units are established by NAVCOMPT and OPNAV. Other performance measurement factors are established by NAVSUP and various inventory managers. Bases are updated on an as-required basis. Approximately 75% of our funds have performance measures.

11. - 13. See response to financial management subsection.





The following comments are from the Facilities Management Department (FMD) of an industrial naval air station which procures services from a public works center (PWC):

1. Many of the performance measurement factors (work units) in the facilities management area are fixed, i.e., sq. ft. of buildings, acres of pavement, etc., and change only with new construction, demolition or transfers. Other work units are based on a rate of usage, i.e., utilities, refuse, emergency service calls.
2. These factors are expressed in work units (nonfinancial terms) and for some areas by work units and per unit cost (financial terms).
3. FMD formulates a plan for the year based on urgency, need and financial climate on the station. This plan is executed by sending documents to PWC and copies to the AAA for obligating. As PWC bills come in, the AAA prepares the monthly reports, local 2171, NAVCOMPT 2199, UMR, etc. Any work other than PWC, requisitions, maintenance service agreements, etc., are input by FMD to the AAA.
4. The financial reports are received monthly, usually around the 15th of the month following the report month. The expense report (cost and work unit data) from PWC is received the 15th of the month for the preceding month's charges, but the charges will not appear in the financial records until the following month. Because of this 45-60 day time lag, FMD relies more on the PWC report. Charges other than PWC's are usually a month late in being reflected on the financial reports.

Because of the time lag in receiving PWC reports, FMD reports work units accomplished during previous month as current month's work while the AAA processes the current mid-month PWC status of funds report (from 15th of previous month to 15th of current month) as expenses for current month. Therefore, work units and expenses are never comparable.
5. FMD uses the performance measurement factors in budget formulation, as a historical basis plus/minus any known changes that will be reflected in the budget. Once execution begins the planned performance factors are used as guideposts to determine if additional funding will be required or excess funds can be reprogrammed into other areas.
6. The Budget Division of the Comptroller Department receives the monthly reports in several different formats: BCC, SF/C & E/E; Cost Account; Job Order Number. Comptroller has access to FMD memo records if the need arises.



7. Allocation of funds, reprogramming or requests to higher authority for additional funding are determined from the monthly reports. These decisions are made by the Budget Officer under guidance from the Comptroller.
8. COMNAVBASE receives a copy of all monthly reports. (RMS reports)
9. N/A.
10. The cost accounts and work units used in the facilities area are prescribed by the Navy Comptroller. They are updated as needed or required by NAVCOMPT. Approximately 75% of FMD's funds have work units.
11. FMD uses the cost/performance data only as a check point to analyze errors, such as double obligations, etc. They rely on the PWC reports since they are more timely than the official reports from the AAA.



COMNAVSURFLANT  
Outline of Data Requirements

Key performance measurements:

A. General. Readiness to perform assigned missions.

B. Supply. Supply effectiveness and readiness.

C. Financial. Returned cost data, rate of obligations measured against the established financial plan. In addition, performance as measured against assigned work units listed in NAVCOMPT Manual Volume II for Shore Activities.

. Are factors expressed in both financial and non-financial terms?

A. General. On an exception basis should available funding preclude performance of a specific task.

B. Supply. Yes, when a supply deficiency in a specific material area, such as inventory, is identified.

C. Financial. Yes.

/4. How is data on factors collected and forwarded including frequency and timeliness?

A. <u>General</u>	<u>Frequency</u>	<u>Timeliness</u>
(1) NAVFORSTAT Ratings	As changes occur	Good
(2) Inspection Results		
INSURV	As scheduled	Good
PEB	As scheduled	Good
REFTRA	As scheduled	Good
LOE	As scheduled	Good
CSSR	As scheduled	Good
SMI	As scheduled	Good
(3) CASREPT Reporting	As changes occur	Good
B. <u>Supply</u>		
(1) Access/Seas	Monthly	5wk. delay
(2) SMI	As scheduled	Good
(3) CASREPTS	As changes occur	Good

Enclosure ( 5 ) to CINCLANFLT



C. Financial Management

Monthly

Good

(1) Various financial reports prepared by the activity and the authorized accounting activities in accordance with Financial Management of Resources (NAVSOP-3013) for operating forces and (NAVSOP-3006) ashore activities.

5. To what degree is data used in budget formulation and/or execution process?

A. General. NAVFORSTAT ratings and inspection results may serve as a basis for budget formulation or execution decisions where a specific deficiency that may be resolved by funding is identified.

B. Supply. Access/Seas reports and overall supply effectiveness may be used to assist in making inventory control decisions that impact on budget formulation/execution. Stock replenishment and SIM eligibility policies are examples of these decisions.

C. Financial Management. Based on returned costs, (obligations/expenditures) data reflected in the financial reports listed in NAVSOP-3013 and NAVSOP-3006, budgetary information is accumulated by individual activity, functional and sub-functional categories and used as a historical base for budget formulation. In addition data in the various reports provide the means of conducting monthly analysis of planned obligation data versus actual data to monitor the effectiveness of budget execution as reported in the Fleet Resource Office Management Report by the Fleet Commander.

6. Which data is presented to top management and how is it presented?

A. General. NAVFORSTAT ratings are presented to top management for deploying ships on a routine basis. Exceptional FORSTAT reports are presented to the Command as occurring. Exceptional Inspection results are also presented to top management as they occur.

B. Supply results. CASREPT data is presented bi-weekly to top management.

C. Financial Management. Monthly financial briefings are presented to top management reflecting obligations to the annual financial plan and other reprogramming actions by functional program, i.e., MSC, S&E, IMA, SCF, TAD, C&S, STA OPS and MRP. In addition, the Apportionment/Budget is formulated for prior year, current year and budget year for the above functional programs and submitted to top management for review and subsequent submission to CINCLANTFLT. Based on the amount of funds





received from CINCLANTFLT from the apportionment submission, execution is made based on the financial plan established for each of the above functional programs.

7. What decisions are made from data and who makes the decisions?

A. General. Immediate decisions are made at all levels of command based on reported data. The management level at which the decision is made depends on the magnitude of the problem.

B. Financial Management. Subsequent to TYCOM approval, the Apportionment/Budget data, including unfunded requirements that exceeded the assigned control figures are submitted to CINCLANTFLT for review. The Apportionment/Budget is marked-up reflecting CINCLANTFLT decisions, consolidated with other TYCOM data and forwarded to NAVCOMPT for review.

8. Which data is provided to funding sponsor and how often?

A. Apportionment/Budget submission, Mid-Year Review Shortfalls and POM Requirements are submitted annually. However, any significant unprogrammed requirements are submitted from all level of commands as they occur.

9. Which data is reported to functional sponsor, what do they do with data and feedback received?

A. Apportionment/Budget, Mid-Year Review and POM Requirements are identified to the various functional programs cited in paragraph 6C above and submitted to CINCLANTFLT for subsequent review by the functional program sponsors. Review is made based on the competing needs of each functional programs, unfunded requirements, TYCOM reprogramming recommendations, program budget decisions and other funding realignments. All approved funding decisions of the program sponsors are reflected on the TYCOM track by budget activity and subsequently reported to the TYCOM listing the changes by functional program.

10. Bases for performance measurements, how established, how often are they updated, how are bases promulgated and what percentage of funds have performance measures?

A. General.. Ship readiness conditions are prescribed in some detail. While some aspects are quantifiable i.e., percentage of authorized billets in required skill levels on board, much of this data is of necessity, subjective. Supply performance is quantifiable in terms of gross and net effectiveness. Supply readiness of individual ships and units,



however, is usually determined through other indicators such as non-availability of allowed parts on CASREPTS and unit COs assessment.

B. Financial Management. Measurement of budgeted versus actual obligations/expenditures as reported in financial reports is available, but what does it tell the manager in terms of more general performance? No single measure of performance serves as a good indicator of financial management effectiveness. Bases are established for the operating forces primarily on historical data, updated as changes occur in the work load or the mission of the activity and reflected in the monthly Fleet Resources Office Management Report based on information submitted by the TYCOM. Bases are established by work load indicators for shore activities as outlined in Chapter 4 of NAVCOMPT Manual Volume II.

11. What use is made of the cost/performance data?

A. Apportionment/Budget preparation and execution of funds.

12. Estimated annual cost of performance measurement system, cost of data accumulation and benefits derived.

A. Annual cost of performance measurement is not available. Cost of data accumulation is contingent upon the amount of information required to satisfy budgetary requirements and the benefits to be derived by higher authority from the accumulation of data.

13. Can the Navy's Performance Measurement System be improved to meet current needs and who should take the lead in this improvement effort?

A. Current accounting procedures do not provide the means to accumulate the necessary financial data to satisfy budgetary requirements, i.e., identification of types of purchase transactions, number of per diem days in a travel status for operating force exhibits. CINCLANTFLT and NAVCOMPT should take the lead in these improvement efforts.



## LINE OF DATA REQUIREMENTS - CINCLANTFLT

CINCLANTFLT evaluates the execution of TYCOMs financial obligations vs. budget figures. We do not evaluate individual activities but are responsible for evaluating TYCOMs overall.

The actual execution of financial plan is monitored through the use of data contained in Fleet Resource Office Management Analysis Report (FROMAR) which compares financial plan and obligations at the expense element level.

N/A

Data for FROMAR Report is collected as follows:

- a. Activities submit financial plan to major claimant (CINCLANTFLT).
- b. Official reports NC 2171 and NC 2199 used for collecting obligations (prepared at AAA level).

All reports submitted monthly. For most part they are timely.

Obligation data contained in official reports received from CAM in summary format is used to monitor execution of special interest items and programs, such as TAD, MRP, Fuel, overhaul, etc.

Information submitted to top management in summary format such as marked-up reports and graphic charts.

From this data Fleet Comptroller makes necessary decisions for programming and reprogramming of O&MN funds.

Comment: It should be pointed out that the FROMAR is a CINCLANTFLT management report and is primarily designed to monitor ELH's execution. An activity should use NC 2171 and 2199 for analyzing their individual status. TYCOMs may use FROMAR since it is a recap of official reports.

N/A

N/A

Annually CINCLANTFLT makes input to the DOD Productivity Program. Units of output, man-years input, and dollar compensation is reported for the following functional areas:

Enclosure ( 6 ) to CINCLANTFLT



BASE SERVICES  
MAINTENANCE OF MATERIAL  
MILITARY PERSONNEL SUPPORT  
OTHER ENGINEERING SUPPORT  
MAINTENANCE OF REAL PROPERTY  
LOCAL SUPPLY ACTIVITIES  
ADMINISTRATION AND MANAGEMENT

s data is accumulated by the Comptroller of the Navy  
D) and forwarded to the Bureau of Labor Statistics, where  
productivity index is developed for the above listed  
functional areas. If there is a change of +5% in any of  
these functional areas, this command must describe reasons  
for the change.

More meaningful measurement of productivity will be  
realized with the development of the Shore Requirements,  
Standards, and Manpower Planning System (SHORSTAMPS).  
Development of the Shore Required Operational Capability  
(SHOROC) subsystem will ultimately result in a true measure-  
ment system that can be effectively used by management  
throughout the Navy. The development of SHORSTAMPS, SHOROC,  
and its integration with the RMS reporting system, may be the  
most efficient method to measure efficiency and productivity  
in the financial community.

N/A

N/A

N/A





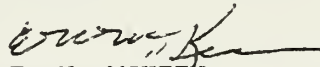


COMMANDER IN CHIEF  
UNITED STATES NAVAL FORCES, EUROPE  
FPO NEW YORK 09510  
London, England

FF1-3  
7000  
Ser . . . . U/0152  
JUN 15 1977

From: Commander in Chief, U.S. Naval Forces, Europe  
To: LCDR J. P. Monson, SMC 1758, Naval Postgraduate School,  
Monterey, CA 93940  
Subj: Use of the Financial Management Control (Performance Measurement)  
Techniques of the Resources Management Systems for Operations  
Ref: (a) CNO ltr Ser 92SA/87515 of 3 May 77  
Encl: (1) Data Information

1. Enclosure (1) is submitted in accordance with reference (a).

  
E. N. MCKEEN  
By direction



## DATA INFORMATION

What key performance measurement factors are used to evaluate the activities within your command?

CINCUSNAVEUR activities are not required to maintain (and do not receive from their Authorization Accounting Activity (AAA)) either NAVCOMPT Form 2169 Performance Statements nor NAVCOMPT Form 2168 Operating Budget/Expense Reports that are structured to relate work unit data to expenses. CINCUSNAVEUR activities (all serviced by one AAA) use summary and detailed Financial Analysis Reports (FAR) (see TABs 1 and 2 attached hereto), which have been developed to evaluate activity performance primarily on an obligation basis. These reports evaluate gross obligation performance against plans by Functional Category and/or Functional Programs, i.e., travel, flight operations, maintenance of real property, operation of utilities, etc., for each activity. However, CINCUSNAVEUR activities are required to collect the work unit data required by NAVCOMPT Manual Vol. 2 with special emphasis on the Facilities Management Functional Categories P, M, N and R to be used primarily for budget submission justification and evaluating trends in the Facilities Management area. Select work units are used on a case-by-case basis for evaluating progress against plans and midyear review of deficiencies and reprogramming requirements.

The work units located in NAVCOMPT Manual Vol. 2 are very detailed, and do not readily lend themselves to the summary type evaluations conducted at major claimant level.

Are these factors expressed in both financial and nonfinancial terms?

Primary emphasis is placed on financial evaluations which are conducted on a monthly cycle. During the midyear review of deficiencies, and when reprogramming actions are being considered, nonfinancial detail used in the justification of the request is of prime importance.

How is data on these factors collected at the activity level and forwarded to your command?

The financial data is collected as a normal process of the accounting system and the FAR Report is prepared monthly and forwarded to both the field activity and CINCUSNAVEUR by the AAA. The FAR identifies, by cost account, each activity's spending plan to actual obligations (performance) on a cumulative basis.

The nonfinancial data is generally collected on a routine basis consistent with NAVCOMPT requirements. Additional and specific nonfinancial data is usually submitted on a case-by-case basis direct from the activity.

How often is this data reported from the activity level to your command? How timely is the data?

Financial data is reported by the AAA on a monthly basis approximately thirteen days after the end of the month and is considered timely. Activity memorandum records are reconciled monthly with the AAA reports.

ENCLOSURE (1)



Nonfinancial data is reported on an annual basis during the budget cycle is primarily based on a 50 percent actual basis and 50 percent estimated for prior year. Data is considered to be timely and representative for all years since it consists of estimates based on historical trends.

To what degree is this data utilized in the budget formulation and/or budget execution processes?

Workload indicators are requested from most activities and, for other than facilities management function, are used to evaluate and justify funding needs in the budget.

In the facilities management function, the work unit, manhour data and associated costs are used for detailed justification of requirements for budget purposes.

Which of this data is presented to top management at your command? How is it presented?

Generally, nonfinancial data is not presented to top management on a routine basis. Data developed in conjunction with a case basis is usually presented when specific decisions are to be made and the nonfinancial data is significant and pertinent.

What decisions are made from this data? Who makes these decisions?

At the major claimant level most specific funding or reprogramming requests, exclusive of political/treaty decisions, are based in part on the financial and nonfinancial data.

The decision making process involves several levels of management. The level of management that makes the final decision depends on the significance of the decision in terms of policy, funding thresholds, operational impact and political implications in the various NAVEUR countries.

The initial decision review is normally accomplished by the budget analysts who assemble the basic relative data and provide options and recommendations for review by higher level of management.

The budget officer may make a final decision, request additional data or require a reassembly of the decision package, with added or revised options.

The comptroller may make a final decision within his approval thresholds and add requirements to the decision package. If the decision is not made at this level, the decision package data may be disseminated to other staff divisions for review and comments and/or for resolution at a meeting of appropriate staff managers. Usually, decision packages of this magnitude are provided to the C with associated staff recommendations.





Which data is provided to your funding sponsor? How often is this done?

Monthly obligation-expense financial data is forwarded in the form of Register 71 (2170/2199 data) and Register 11 (NAVCOMPT Form 2171) to the funding sponsor who evaluates and analyzes the major claimant actual obligations against previously submitted planned rates. These financial status reports present to the funding sponsor the current status for current and prior years for all funds received (direct and reimbursable).

Nonfinancial data in select functional programs is, also, submitted on a monthly basis. These are evaluated in conjunction with the financial data in the same manner described above.

Other nonfinancial data is submitted during the budget cycle in various exhibits as workload indicators. In some exhibits these workload indicators are stratified by functional categories (MRP, utilities, medical/dental, etc.) and in other exhibits by functional programs (flight ops, POL consumption, purchased utilities, etc.).

Which data is reported to functional sponsors, e.g., MRP to NAVFAC? What do they do with this data? Do you receive any feedback?

All financial expenses and obligation data and flight ops nonfinancial data is reported on a monthly basis. This data is summarized by the functional sponsors and feedback is reported for our review.

All other nonfinancial data is reported during the budget cycle and no feedback is received.

It should be noted that some combined financial and nonfinancial data is reported direct to the functional sponsor by the field activities or their AAA and copies are not processed to, or through, the major claimant financial management managers, i.e., transportation cost reports, utilities cost reports, medical/dental patient reports, airfield operations reports, etc. These reports are prepared by AAAs from field activity operating budget data information or from the field activity from direct nonfinancial data input.

What are your bases for performance measurement? How were these bases established? How often are they updated? How are these bases promulgated? What percentage of your funds have performance measures?

Performance measurement is not established at the CINCUSNAVEUR level. There is no established policy for performance measurement at the field activity level; however, if the field activities can utilize performance data they are encouraged to do so.

What use is made of the cost/performance data at the activity level?

Only nominal use of the NAVCOMPT 2169 Cost and Performance Reports, or the NAVCOMPT 2168 Operating Budget/Expense Reports, is made. These reports are used primarily on an occasional "as required" case basis. Therefore, CINCUSNAVEUR





was not required the AAA to prepare these reports on a regular basis. It should be noted that the data bank is maintained in the event of a justifiable requirement.

12. What is the estimated annual cost of your performance measurement system? Is the cost data accumulation less than, equal to, or in excess of the benefits derived?

There is no valid base to estimate the annual cost of the performance measurement system, since the accumulations of the basic manhour and workload data is accomplished at the worker level and is a byproduct of normal operations.

13. How can the Navy's Performance Measurement System be improved to meet your needs? Who should take the lead in this improvement effort?

Past experience indicates that a very limited use of the current Performance Measurement System is made at the activity level, or cost center level, at CINCUSNAVEUR activities. The lack of utilization of the NAVCOMPT Form 2168 and 2169 Statements is primarily due to the minute detail of the cost account structure and the significant number of line items of detail and column entries included within the reports.

Each NAVEUR activity is unique, in that the mission, political climate, geographical characteristics, available facilities, condition of facilities and available resources dictate individual tailored Performance Measurement Systems. Activities are allocated resources, i.e., manpower and dollars on a constrained basis for normal operations, with increments/decrements allocated during the year to achieve an overall theater balance.

Improvement of the performance statement, NAVCOMPT 2169, can be achieved by eliminating much of the detail cost codes, work units and columnar data utilizing summary accounts or new "workload factors" encompassing a number of current cost account work units.

14. The CINCUSNAVEUR contact point for any additional questions, or assistance, is Mr. T. Zimmer, autovon 235-4361.





# CHIEF OF NAVAL EDUCATION AND TRAINING

NAVAL AIR STATION

PENSACOLA, FLORIDA 32508

Code N-622

7 JUN 1977

From: Chief of Naval Education and Training  
To: Superintendent, Naval Postgraduate School (LCDR J.P. Monson)  
Subj: Use of financial management control (performance measurement) techniques of the Resources Management System for Operations  
Ref: (a) CNO ltr ser 92SA/87515 of 3 May 1977  
(b) NAVCOMPT Manual, Volume 2, para 024640

1. The following comments are provided in response to enclosure (1) of reference (a):

Question 1 - What key performance measurement factors are used to evaluate the activities within your command?

Answer - At this claimant headquarters many factors are used to evaluate performance of the education and training activities, however, the key factors are those that are aligned with the budget submissions. The average on-board student load is used to evaluate professional training, recruit and specialized training; flying hours are used for the undergraduate pilot and navigator training; the number of participants are used for off-duty and volunteer education programs such as PACE (Program Afloat College Education), DANTES (Defense Activity for Non-Traditional Education Support Program) and NCFA (Navy Campus for Achievement). Additionally, student weeks of training are also used for specialized training courses.

Question 2 - Are these factors expressed in both financial and non-financial terms?

Answer - Yes

Question 3 - How is data on these factors collected at the activity level and forwarded to your command?

Answer - The average on-board count is a physical count of students input monthly to the NITRAS (Navy Integrated Training Resources and Administrative System). Flying hours are extracted daily from the squadron aircraft log books and reported monthly in the Flying Hour Cost Report (OPNAV 7310-3A) and input to the Resources Management System as work units for the individual squadron mission operations cost account. The number of participants for off-duty and volunteer education programs is a monthly



Subj: Use of financial management control (performance measurement) techniques of the Resources Management System for Operations

count of participants and is input monthly into the RMS as work units for specific cost accounts in the 5000 series. (The 5000 series of accounts contained in reference (b) are dedicated to education and training mission operations.) Student weeks of training is derived from a daily count of students under instruction and input monthly to the RMS as work units for designated cost accounts in the 5000 alpha series.

Question 4 - How often is this data reported from the activity level to your command? How timely is the data?

Answer - Work units or productivity measurement factors are reported monthly to the AAA (Authorization Accounting Activity) for input to the RMS. Hard copy reports transmitting this data is received at the activity and claimant level 25-30 days after the close of the month. The timeliness of this data is unsatisfactory at the activity level and poses a problem at the claimant level on a quarterly basis and at year end at which time in-depth reviews of the budget execution are conducted.

Question 5 - To what degree is this data utilized in the budget formulation and/or budget execution processes?

Answer - The key performances measurement factors are used as the basis for the budget formulation in the translation of mission workload into personnel and dollar requirements. All of the key measurement factors identified in question 3 above are reported in the budget execution process.

Question 6 - Which of this data is presented to top management at your command? How is it presented?

Answer - The budget execution is continually monitored at the headquarters wherein status reports are compiled with detail data aggregations to the subhead and program element level for top management review.

Question 7 - What decisions are made from this data? Who makes these decisions?

Answer - Many of the decisions based on this data are pre-budget actions performed in the POM process, however, mission essential decisions such as reprogramming actions and additional funding for emergence situations are an ongoing process and the financial management actions are the result of command management decisions.





7 JUN 1977

Subj: Use of financial management control (performance measurement)  
techniques of the Resources Management System for Operations

Question 8 - Which data is provided your funding sponsor? How often is this done?

Answer - Funding sponsors are primarily concerned with qualified trained student output at a minimal cost. Normally the sponsors do not review the budget execution process. During the planning process (POM/budget formulation) program sponsors do review the key factors such as AOB, flying hours etc.

Question 9 - Which data is reported to functional sponsors, e.g., MRP to NAVFAC? What do they do with this data? Do you receive any feedback?

Answer - The Naval Education and Training Branch, SOUTHNAVFACENGCOM (NETBRAN), tracks the CNET facilities budget execution process on a monthly basis and compiles various statistical reports to NAVFAC. These statistics include such functions as family housing, transportation, utilities (gas, water, electricity) and MRP. This data is used by NAVFAC to update the utility rate tables by geographical areas, compile the cost of operating and maintaining family housing and developing replacement statistics and maintenance standards for transportation equipment etc. NETBRAN utilizes the NAVFAC feedback data while preparing the facilities exhibits for the CNET budget.

2. Questions 10 through 13 allude to an assumption that CNET and other major claimants have implemented a formalized Navy productivity measurement program. This assumption is incorrect. The current productivity measurement system available to Naval shore stations is limited to the reporting of the assigned work units contained in reference (b) through the RMS. As stated previously, this satisfies the requirement at the activity level to some degree, however, the RMS does not provide for work unit aggregations for the functional commanders and the major claimants. DOD Directive 5010.31 of 4 Aug 1975 directs the implementation of a formalized measurement program which is beyond the capabilities of the major claimants without additional personnel and resources. In seeking a solution to this problem, CNO has authorized CINCPACFLT to test a productivity program PACFLT developed for possible Navy shore station application. This command reviewed the test program and ascertained that the required manual data exhibits would impose a significant workload at the activity level and require changes to the standardized UADPS financial report programs. Currently, CNET is in the process of developing a productivity measurement program that will be aligned with the program 8 restructure utilizing the RMS and course costing system to the maximum extent possible. This program as envisioned will impact significantly on the headquarters





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workload with minimal impact at the activity level. The offsetting cost benefits will be the enhancement of the budget preparation.

3. In response to question 13, the following list of suggestions are provided to assist claimants in developing and implementing a productivity measurement program.

a. Update the cost accounts and work units contained in reference (b).  
Action - NAVCOMPT.


b. Interface the SHOROC manning/staffing standards with cost account and work unit structure. Action - CNO/NAVCOMPT.

c. Extend the due date of the data call for the DOD Productivity Measurement Program until 2-3 months after the close of the fiscal year.  
Action - CNO.

d. Issue an OPNAV productivity measurement directive that interfaces the DOD Directive 5010.31 with the Navy RMS. Action - CNO.

e. Authorize claimants the latitude to make ADP program changes to the RMS management reports that would permit the aggregation of selected cost accounts. Action - CNO.

4. The CNET point of contact is Mr. J.E. Jones, code N-622, AUTOVON 922-3407.

  
JACK HEYL  
By direction





DEPARTMENT OF THE NAVY  
BUREAU OF NAVAL PERSONNEL  
WASHINGTON, D.C. 20370

IN REPLY REFER TO  
Pers-1323-TCM-fk  
Ser 13/267

JUN 10 1977

From: Chief of Naval Personnel (Pers-13)

To: LCDR J. D. Monson  
SMC 1758  
Naval Postgraduate School  
Monterey, CA 93940

Subj: Use of the Financial Management Control (Performance Measurement)  
Techniques of the Resources Management Systems for Operations

Ref: (a) CNO ltr Ser 92SA/87515 of 3 May 1977

Encl: (1) Data Requirements

1. Reference (a) forwarded a series of questions concerning the Financial Management Control Techniques employed by various Naval commands. The answers to these questions will be used in the thesis efforts of selected students in the Financial Management Curriculum at the Naval Postgraduate School, Monterey.
2. Enclosure (1) provides the data requested by reference (a). The contact point is CDR R. D. Milligan on Autovon 224-3516 or commercial 202-694-3516. A copy of the thesis, when completed, is desired.

R. D. Milligan  
By Direction





## Data Requirements

1. What key performance measurement factors are used to evaluate the activities within your command?

The key factors are obligations, commitments, monthly/quarterly phasing, and comparison of performance against obligations/commitments with quarterly phasing plan.

2. Are these factors expressed in both financial and non-financial terms?

Terms are expressed in financial terms only.

3. How is data on these factors collected at the activity level and forwarded to your command?

Data collected through official accounting reports, memorandum accounting records, phone calls to activities/program managers.

4. How often is this data reported from the activity level to your command? How timely is the data?

Data is reported monthly. Official reports lag by at least 25 days. Informal phone reports are current at the time the call is made.

5. To what degree is this data utilized in the budget formulation and/or budget execution processes?

Data is used for the past year column in budget formulation. Maximum use of data in budget execution process to measure performance against plan and that obligations do not exceed allocation.

6. Which of this data is presented to top management at your command? How is it presented?

Summary data is provided in comparative format during a monthly meeting of the Resources Management Committee consisting of all Deputy Chiefs of Naval Personnel.

7. What decisions are made from this data? Who makes these decisions?

Decisions are made on unfunded requirements and/or recoupment of excess funds due to program slippage. The Resources Management Committee makes decisions with final approval/disapproval by the Chief of Naval Personnel.

8. Which data is provided to your funding sponsor? How often is this done?

Monthly obligation data is provided through a flash obligation report.



9. Which data is reported to functional sponsors, e.g. MRP to NAVFAC? What do they do with this data? Do you receive any feedback?

Data is provided to sponsors through official accounting reports. Feedback is primarily received when controls are exceeded or obligations are low compared to financial plans in such areas as MRP, travel, CIVPERS, and ADP.

10. What are your bases for performance measurement? How were these bases established? How often are they updated? How are these bases promulgated? What percentage of your funds have performance measures?

Past experience and current program requirements updated annually are used to develop financial controls. Performance measures are based on quarterly allocation plan and when a funding decision is required for unfunded items. Performance measures are required on 100% of the financial plan which is issued by NAVCOMPT Form 2168-1 (Resource Authorization).

11. What use is made of the cost/performance data at the activity level?

Data is used to determine if activity is operating in accordance with the financial plans or if excess funds can be recouped.

12. What is the estimated annual cost of your performance measurement system?

The incremental cost of the performance measurement system is minimal. All of the data is already being generated because of other financial management requirements.

13. How can the Navy's Performance Measurement System be improved to meet your needs? Who should take the lead in this improvement effort?

Improve the official accounting system to speed up reports and make the information more timely. This requires pressure on both ends of the system. Activities must make a more earnest effort to get documents processed by the AAA closing date. The closing date should be realistic for the accounting period and the lag in the accounting system must be reduced. NAVCOMPT has the responsibility for improving the system - claimants, activities and program managers have a vested interest in seeing that the system works.

The coordination between the programs, planning, and executing stages must be improved. BUPERS has taken steps to improve the system by centralizing all these stages under the control of one division.

Finally, better performance measures must be developed. Zero-based budget inputs must have logical performance measurements and should be watched during execution. NAVCOMPT should take the lead in this.







DEPARTMENT OF THE NAVY  
NAVAL TELECOMMUNICATIONS COMMAND  
4401 MASSACHUSETTS AVENUE, N.W.  
WASHINGTON, D.C. 20390

IN REPLY REFER TO  
SER 10/10036  
30 JUNE 1977

From: Commander, Naval Telecommunications Command  
To: LCDR J. P. Monson, SMC 1758, Naval Postgraduate School,  
Monterey, CA 93940

Subj: Performance Measurement Techniques of the Resources  
Management System


Ref: Chief of Naval Operations ltr Ser 92SA/87515 of 3 MAY 1977

Encl: (1) Applicable data for thesis study

1. Chief of Naval Operations (OP-92) has indicated a desire to support your thesis study covering financial management control (performance measurement) techniques with questionnaire data on current management controls. In response thereto, the information contained in enclosure (1) was collected to assist you.

2. In general terms, the data provided have minimal application to the budget formulation and budget execution processes in the traditional sense, (i.e., workload times production rates yield manpower requirements).

3. Rather, the data serve as qualitative indicators of the techniques and procedures used to accomplish NAVTELCOM's primary mission and function.

  
E. P. DEWEY  
By direction



1. Q. What key performance measurement factors are used to evaluate the activities within your command?
  - A. (a) Traffic Volume (message count)
  - (b) Message Throughput Time (arrival rate)
  - (c) Traffic Backlog
  - (d) Circuit/Trunk Continuity (availability)
  - (e) Manual Intervention Rate (to automated systems)
  - (f) System Reliabilities (automated hardware/software)
2. Q. Are these factors expressed in both financial and non-financial terms?
  - A. All factors are in quantitative and qualitative, non-financial terms. That is, they are not part of the budget process.
3. Q. How is data on these factors collected at the activity level and forwarded to your command?
  - A. Items 1 (a) through (e) are submitted daily to:
    - (a) Headquarters by activity, via Communication Area Master Stations (CAMS), in Daily Data Report (DATREP) and Daily NAVCOMMAREA Summary Report.
    - (b) Item 1 (f) reliabilities are determined from weekly report submissions to Headquarters. These data are maintained in logs and records at each Local Digital Message Exchange (LDMX) and Naval Communication Processing and Routing System (NAVCOMPARS).
4. Q. How often is this data reported from the activity level to your command? How timely is the data?
  - A. In addition to 3 (a) and 3 (b) above, other qualitative data are analyzed. For example, real time performance is monitored through the preparation and submission of Situation Reports (SITREPS) and Casualty Reports (CASREPS) as problems and disruptions occur.
5. Q. To what degree is this data utilized in the budget formulation and/or budget execution processes?
  - A. Performance data is used indirectly in the budgeting processes, to the extent that they serve as a part of the basis or decision to increase/decrease investment and/or operating resources. Load and performance data provide some indepth analysis of system problems which may dictate the need for replacement or improvement of either equipments, software or the system. Such operational requirements or modifications are eventually incorporated into the program development and implementation process.

ENCLOSURE (1)



6. Q. Which of this data is presented to top management at your command? How is it presented?
- A. The following identifies data and frequency of presentation to NAVTELCOM top management in conferences, oral briefings and/or written reports:
- (a) Immediate reports on major communication disruptions.
  - (b) Daily reports on Naval Telecommunications System (NTS) Status.
  - (c) Bi-weekly report on operations.
  - (d) Weekly report on automated systems.
  - (e) Monthly report of specific performance data and statistical analysis.
7. Q. What decisions are made from this data? Who makes these decisions?
- A. Decisions to improve communication effectiveness and efficiency are affected by these data. They do not provide the sole criteria upon which such decisions are made. Rather, they represent a segment of management information gleaned from operational capabilities used to assist the Commander, Naval Telecommunications Command in his decision making.
8. Q. Which data is provided to your funding sponsor? How often is this done?
- A. There is a daily report on operational deficiencies, in each NAVCAMSAREA, which is provided to the NAVTELCOM functional sponsor (OP-931). The funding sponsor receives no performance data enumerated on a recurring basis.
9. Q. Which data is reported to functional sponsors, e.g., MRP to NAVFAC? What do they do with this data? Do you receive any feedback?
- A. During budget formulation, MRP information is provided to NAVMAT. The detailed workload and costing information submitted is used to effect budgeting levels with feedback limited to identification of the adjustments desired by higher authority. Monthly recurring fiscal data has limited application outside NAVTELCOM.
10. Q. What are your bases for performance measurement? How were these bases established? How often are they updated? How are these bases promulgated? What percentage of your funds have performance measures?
- A. Not applicable.
11. Q. What use is made of the cost/performance data at the activity level?
- A. Not applicable.



12. Q. What is the estimated annual cost of your performance measurement system? Is the cost of data accumulation less than, equal to, or in excess of the benefits derived?
- A. Costs of financial data collections imposed by higher authority are in excess of benefits derived. Estimated annual costs of the limited performance measurement system are not determinable.
13. Q. How can the Navy's Performance Measurement System be improved to meet your needs? Who should take the lead in this improvement effort?
- A. Additional performance measurement systems are not required. A requirement exists, however, to develop and exploit techniques to establish and test a qualitative base covering goals and standards of communications effectiveness. The resources required for this activity are not available at this time.







DEPARTMENT OF THE NAVY  
NAVAL SECURITY GROUP COMMAND HEADQUARTERS

3801 NEBRASKA AVENUE, N.W.  
WASHINGTON, D.C. 20390

5200  
Ser GD2/528  
-7 JUN 1977

From: Commander, Naval Security Group Command  
To: LCDR J. P. Monson, SMC 1758, Naval Postgraduate School,  
Monterey, CA 93940

Subj: Performance measurement techniques

Ref: (a) CNO ltr ser 92SA/87515 of 3 May 1977  
(b) PHONECON LCDR Monson - LCDR Moody of 2 June 1977

1. In response to reference (a) and as discussed in reference (b), the practical difficulties of devising a performance measuring system for Naval Security Group (NAVSECGRU) functions have precluded the use of such a system in the financial management of this Command. Consequently, meaningful responses to the questions posed in enclosure (1) of reference (a) cannot be provided. If further clarification is needed, request contact be made with:

LCDR William B. B. Moody, USN  
Naval Security Group Command Headquarters  
(Code: GD2)  
3801 Nebraska Ave., N.W.  
Washington, D.C. 20390  
(Tel: Autovon 292-0640)

2. It would be appreciated if a copy of your thesis were provided to this Headquarters, care of the above named officer.

R. E. SMITH  
By direction





DEPARTMENT OF THE NAVY  
OFFICE OF THE OCEANOGRAPHER OF THE NAVY  
HOFFMAN II  
200 STOVALL STREET  
ALEXANDRIA, VA. 22332

IN REPLY REFER TO

OCEANAV:sb  
Ser 575/N4

10 JUN 1977

Lieutenant Commander J. P. Monson  
SMC 1758  
Naval Postgraduate School  
Monterey, California

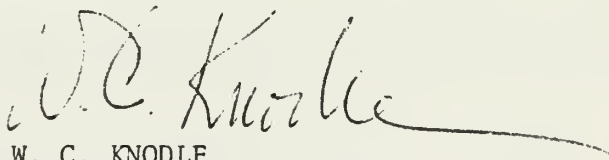
Dear Lieutenant Commander Monson:

The enclosure responds to CNO letter Ser 92SA/87515 of 9 May 1977 which requested we provide you and your research partner Lieutenant Crow with responses to questions on Financial Management Control.

We have tried to answer the questions posed in the questionnaire so as to give you sufficient information to use in your research. It must be noted, however, that Performance Measurement within the Oceanographer of the Navy's claimancy is not as fully developed as we believe it should be. We are working to improve this aspect of our financial management. In this regard, we request a copy of your thesis when completed so that we may apply its findings in our own efforts at system improvement.

Should you desire further information you may contact Commander W. C. Knodle, autovon 221-9288 or Mr. T. Smith, autovon 221-9280.

Sincerely yours,

  
W. C. KNODLE  
By direction

Encl:  
Financial Management Control Techniques



## FINANCIAL MANAGEMENT CONTROL TECHNIQUES

### OF THE

### OFFICE OF THE OCEANOGRAPHER OF THE NAVY

(Responses keyed to questions by number in enclosure (1) to CNO letter Ser 92SA/87515 of 9 May 1977)

1. The following activities under the Oceanographer of the Navy (OCEANAV) are basically production oriented and provide products and/or data in support of fleet needs. The Naval Oceanographic Office (NAVOCEANO) provides Mapping, Charting, and Geodesy data to the Defense Mapping Agency for production of nautical charts and other products, collects data for and produces oceanographic products, and provides various other forms of fleet support. The Director Naval Oceanography and Meteorology (DIRNAVOCEANMET) through Naval Weather Service activities provides meteorological and oceanographic forecasts and services. Although it is difficult to measure specifically productivity in the kinds of activities carried out by NAVOCEANO and DIRNAVOCEANMET, such things as linear miles of surveys or number of tropical storm forecasts are countable and are used as indicators of program performance. For our survey ships, which are operated by the Military Sealift Command (MSC), number of days at sea is used as the performance measurement factor.
2. Generally, our performance measurement factors are expressed in non-financial terms. In financial terms, however, we track manpower and dollar utilization throughout the year as a gross indication of progress against the program.
3. Non-financial data are collected in functional areas at the activity and are consolidated annually for submission to OCEANAV except for Mapping, Charting and Geodesy data which are reported quarterly. Financial data for all OCEANAV activities are collected by NAVOCEANO in an automated Financial and Management Information System (FAMIS); reports are received monthly from this system. Provision exists to get other reports as required.
4. See Number 3. Data are generally timely.
5. These data are regularly used in budget execution. With respect to budget formulation, the constraints on numbers of ships and aircraft available for data collection is more controlling than the performance history.
6. The Assistant Chief of Staff (Financial Management) is regularly updated on program performance. Items of significance are brought to the attention of higher management when required.



7. Decisions on reprogramming of funds are made from available financial data compiled with interim reports on program progress. Such decisions are usually made by the Assistant Chief of Staff (Financial Management) with concurrence of the Oceanographer.

8. In the case of OCEANAV, the claimant is also the sponsor representative in that the Oceanographer has additional duty as Director, Environmental Services Division (OP-945); therefore, all data which are available to the claimant are also available to the funding sponsor on an immediate basis.

9. MRP data are reported to NAVFAC as required.

10. Bases for performance measurement are difficult to establish and maintain in the area of environmental sciences (geophysics). For example, one measure used is the number of "ocean stations" on which observations are taken on oceanographic surveys; not all "ocean stations" are the same. An ocean station in deep water may require several times longer to complete than one in shallow water, the same is true for one with a large number of measurements to be made as compared to one with a few (or a single) measurements. We need to review our performance measures to try to improve them. About 50% of our funds have measures.

11. Cost/performance data are used in day-to-day program management within NAVOCEANO and by DIRNAVOCEANMET. At Weather Service activities the daily routine of forecast/services requirements is the controlling factor in program accomplishment just as it is for field surveys aboard ship.

12. We are not able to accurately break this cost out since the same data are used for several purposes. It is our feeling that the system is cost effective but we see need for improvement both in the system itself and in the costs related to its operation.

13. The performance measurement requirements of OCEANAV are unique and efforts to improve them are properly undertaken by OCEANAV.









DEPARTMENT OF THE NAVY  
OFFICE OF THE CHIEF OF NAVAL OPERATIONS  
WASHINGTON, D.C. 20350

NIC

IN REPLY REFER TO

Ser 92SA/87515

3 MAY 1977

From: Chief of Naval Operations  
To: Distribution List

Subj: Use of the Financial Management Control (Performance Measurement)  
Techniques of the Resources Management Systems for Operations

Encl: (1) Outline of Data Requirements

1. CNO (OP-92) is sponsoring the thesis efforts of selected students in the Financial Management curriculum at the Naval Postgraduate School, Monterey. In this regard, one of the study subjects concerns the Financial Management Control (Performance Measurement) Techniques employed by various naval commands and activities under the Resources Management System for Operations. Two students, LCDR J. P. Monson and LT D. R. Crow, USN, are conducting the research and will document in a thesis the results of the study. The stated objectives of the study, approved by OP-92, are to identify deficiencies in the current Financial Management Control Techniques and specify methods for improving the system as an aid to management.

2. The methodology for the study will be to obtain the perspectives and objectives of the top financial management officials of the Navy in OPNAV and NAVCOMPT and identify the use of systems by Navy claimants, along with their recommendations for improvements. From this data base, rough conclusions will be drawn and validated through visits to selected field activities. After refinement, the conclusions will be presented to the top financial management officials for evaluation. Subsequently, the findings will be documented in a thesis.

3. Due to the limited time available, the study team will not be able to personally interview claimants and must, therefore, solicit their views of the current management control system in writing. In this regard, enclosure (1) is a series of questions which are intended to help the study team understand how you use the current system, what benefits you derive and your recommendations for improvement. It should be noted that enclosure (1) is not intended to be all encompassing but rather an outline to assist in the formulation of a response. Thus, additional information that may be helpful will be welcomed. Frank responses are encouraged.

4. It is requested that the addresses provide the data requested by enclosure (1) to:

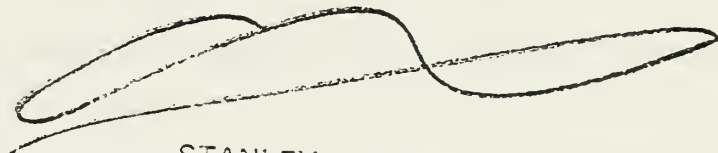
LCDR J. P. Monson  
SMC 1758  
Naval Postgraduate School  
Monterey, Ca. 93940



Subj: Use of the Financial Management Control (Performance Measurement)  
Techniques of the Resources Management System for Operations

Your response is requested by 10 June 1977. Further, it is requested that a contact point be identified in your response who will be able to assist with any further questions.

5. Should you need to contact the study team members, they can be contacted through auto~~on~~ 878-2536. If you desire, your command will be included in the distribution of the thesis. Your assistance in this study is greatly appreciated.



STANLEY S. FINE  
RADM, USN  
C/ direction

Distribution List:

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OCEANAV  
COMNAVINTCOM  
NAVCOMPT  
CHNAVRES  
CNO (OP-09B)  
COMNAVAIRSYSCOM  
COMNAVELEXSYSCOM  
COMNAVAFACENGCOM  
COMNAVSEASYS  
COMNAVSUPSYSCOM



# Commander, Naval Intelligence Command

## Outline of Data Requirements

1. What key performance measurement factors are used to evaluate the activities within your command? *Fiscal performance against plan by program/expense elements.*
2. Are these factors expressed in both financial and non-financial terms? *Only financial - See note (a)*
3. How is data on these factors collected at the activity level and forwarded to your command? *Obligations collected by mechanized memorandum records and reported monthly to*
4. How often is this data reported from the activity level to your command? *Major Claimant and O.B. holders by program element and expense ele. monthly* How timely is the data? *5 days old*
5. To what degree is this data utilized in the budget formulation and/or budget execution processes? *To a great degree*
6. Which of this data is presented to top management at your command? How is it presented? *Informal memo status by operating budget, program element, expense ele. (financial)*
7. What decisions are made from this data? Who makes these decisions? *New budget requests; ceilings; reprogramming actions / Director of Financial Mgmt (Comptroller)*
8. Which data is provided to your funding sponsor? How often is this done? *All financial / monthly*
9. Which data is reported to functional sponsors, e.g. MRP to NAVFAC? *MRD* What do they do with this data? *unknown* Do you receive any feedback? *No*
10. What are your bases for performance measurement? How were these bases established? How often are they updated: How are these bases promulgated? What percentage of your funds have performance measures? *None. See Note (a)*
11. What use is made of the cost/performance data at the activity level? *None. - See note (a)*

Enclosure (1)





2. What is the estimated annual cost of your performance measurement system? *none at this time (other than minimum required fiscal effort)* Is the cost of data accumulation less than, equal to, or in excess of the benefits derived? *not applicable*
3. How can the Navy's Performance Measurement System be improved to meet your needs? Who should take the lead in this improvement effort? *NAICOMPT*

### Comments:

Note (a) The Naval Intelligence product is essentially reports and analyses. There is no basis in Naval Intelligence for performance measurement <sup>at this time</sup>. It has been reviewed internally without success for 2 years. Presently there is an 18 month project underway by systems analysts of a Reserve Intelligence Unit to evaluate feasibility of applying measurement criteria for evaluating the quality and efficiency of intelligence products. Also it is hoped this project will lead into establishing measurement standards.

### Contact point:

LCDR Neil A. Radke, SC, USNR  
(Head, Internal review)  
Naval Intelligence Command (NIC 213)  
2461 Eisenhower Ave.  
Alexandria VA 22301

Please include COMNAVINTCOM in the distribution of thesis.







DEPARTMENT OF THE NAVY  
CHIEF OF NAVAL RESERVE  
NEW ORLEANS, LOUISIANA 70146

IN REPLY REFER TO:

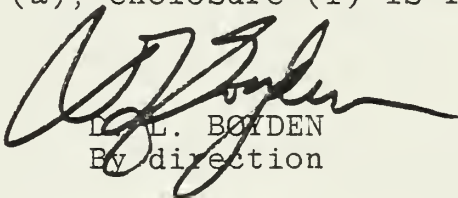
Code 123

7000

Ser **6432**

14 JUN 1977

From: Chief of Naval Reserve  
To: LCDR J. P. MONSON, USN, SMC 1758, U.S. Naval Post-graduate School, Monterey, CA  
Subj: Use of Financial Management control (Performance Measurement) techniques of the Resources Management System for Operations  
Ref: (a) CNO ltr ser 92SA/87515 of 3 May 1977  
Encl: (1) Work Measurement at CNAVRES  
1. Pursuant to reference (a), enclosure (1) is forwarded.

  
L. L. BOYDEN  
By direction



## Work Measurement at CNAVRES

1. What key performance measurement factors are used to evaluate the activities within your command?

No performance measurement per-se is being accomplished. Certain work or output measurement factors are used. These factors include:

a. Number of Reservists participating in ACDUTRA

b. Number of Reservists attending drills

c. Number of Reservists, re-enlisted and recruited, who have completed their active duty requirements.

d. The various measurement units for facilities management such as number of WH, number of square feet to be maintained.

e. Cost of flying hour per type of aircraft

2. Are these factors expressed in both financial and non-financial terms?

No, with the exception of facilities management data and flying hour cost.

3. How is data on these factors collected at the activity level and forwarded to your command?

Output or work measurement information is received through monthly reports or special reports.

4. How often is this data reported from the activity level to your command? How timely is the data?

Monthly. Whenever information is obtained from the official accounting system maintained by another activity, there is an inherent lag resulting from a delay in posting documents or an early cut-off date.

5. To what degree is this data utilized in the budget formulation and/or budget execution processes?

Historical output or work measurement data is used as a factor for budget preparation such as the number of Reservists by category participating in ACDUTRA.

6. Which of this data is presented to top management at your command? How is it presented?

Output or work measurement data is used periodically during the regular briefings to CNAVRES.

Enclosure [ ] [ ]



7. What decisions are made from this data? Who makes these decisions?

CNAVRES and his program managers use data in reprogramming actions.

8. Which data is provided to your funding sponsor? How often is this done?

A small portion of statistical work or output measurement data normally reaches higher authority especially in budget submissions.

9. Which data is reported to functional sponsors, e.g. MRP to NAVFAC? What do they do with this data? Do you receive any feedback?

Output or work measurement data on facilities management reaches NAVFACENGCOM and recruiting data reaches Commander, Naval Recruiting Command. The feedback is the recommended MRP floor and amount of unfunded reimbursement authority granted by the Recruiting Command.

10. What are your bases for performance measurement? How were these bases established? How often are they updated? How are these bases promulgated? What percentage of your funds have performance measures?

The basis for work measurement has been inherent in much of the type of funds provided, for example, the output of ACDUTRA funds provided is the number of Reservists participating in ACDUTRA. The NAVCOMPT Manual provides the basis for facilities unit measurement.

11. What use is made of the cost/performance data at the activity level?

The use of cost/performance data at the activity level varies by activity. Some activities analyze data in detail while others might not receive timely and accurate data for analysis or might not have the capability.

12. What is the estimated annual cost of your performance measurement system? Is the cost of data accumulation less than, equal to, or in excess of the benefits derived?

No estimated annual cost of performance or unit measurement is available. In general, certain management reports with work units such as the NAVCOMPT 2168 and 2169 are not sufficiently used to warrant cost.

13. How can the Navy's Performance Measurement System be improved to meet your needs? Who should take the lead in this improvement effort?



The following recommendations are submitted for consideration; CNO and NAVCOMPT should jointly be the lead activity in conducting an improvement effort:

a. Improve training of personnel who must use the product of the measurement system.

b. Eliminate either obligation accounting or expense accounting. If budgets are to continue to be developed, presented and justified on an obligation basis, then measurement must also be on an obligation basis.

c. Improve inclusiveness and timeliness of management reports from AAAs when accounting is not performed at same activity.

d. Simplify the management reporting forms to provide only the most essential measurement data.

e. Identify the purpose and justify how the data generated by the measurement program will be used. The accumulation of statistical data without identifying its use will be a deterrent to an effective program.

f. Sell the measurement program to top management. Few, if any, will openly disagree as to merits and possible uses but are really not "sold" believing it takes too much time of employees and managers to maintain records, exposes too much unproductive time, attempts to measure items such as time taken to think.









DEPARTMENT OF THE NAVY  
OFFICE OF THE CHIEF OF NAVAL OPERATIONS  
WASHINGTON, D.C. 20350

IN REPLY REFER TO

Ser 09BF/3114

03 JUN 1977

From: Chief of Naval Operations  
To: LCDR J.P. Monson  
SMC 1758  
Naval Postgraduate School  
Monterey, California 93940

Subj: Use of the Financial Management Control (Performance Measurement) Techniques of the Resource Management Systems for Operations

Ref: (a) CNO ltr Ser 92SA/87515 of 3 May 1977

1. In response to reference (a) the following comments are provided, keyed to enclosure (1) of reference (a):

1. Measurement factors are total obligations and data by budget classification, sub-functional category and element of expense displayed financially.

2. No.

3. Data is collected thru the existing accounting system by the Trial Balance Report (NAVMPT Form 2199) and the Budget Classification/Functional Category/Expense Element Report (NAVMPT Form 2171), forwarded by the activity Authorization Accounting Activity (AAA).

4. Data is reported on the 13th of the month following the report month (for 36 mos), creating a two week lag from AAA close-out to receipt of reports. (This presupposes on time receipt from all AAA's, but some reports are as much as 2-3 weeks late creating a longer lag).

5. In budget formulation, year-end data is used. In budget execution the data is used monthly to monitor limitations, targets and general obligating patterns. In addition it is used for mid-year reprogramming of funds.

6. Selected categories by dollar amount are presented to top management by condensed status reports by activity.

7. Decisions are made by the Director regarding the reprogramming of funds to provide the best management possible and to avert problem areas.



03 JUN 1977

8. All data from the NAVCOMPT Forms 2199/2171 is provided monthly.

9. Data reported to functional sponsors is provided by NAVCOMPT. No feedback is received.

10. Utilizing dollars as the prime measurement, budget figures are compared to actual obligations. All funds are involved.

11. Minimal use.

12. No cost is involved since the system is within the existing accounting structure.

13. The system satisfies current needs. If requirements were added by higher authority, changes developed by NAVCOMPT would be necessary to accommodate them.

2. The point of contact in CNO (Op-09BF) is Mrs. D. Shipp, autovon 288-3166.





DEPARTMENT OF THE NAVY  
NAVAL AIR SYSTEMS COMMAND  
WASHINGTON D C 20361

IN REPLY REFER TO

8042A2/PGA

09 JUN 1977

From: Commander, Naval Air Systems Command  
To: LCDR J. P. Monson  
SMC 1758  
Naval Postgraduate School  
Monterey, CA 93940

Subj: Use of the Financial Management Control (Performance  
Measurement) Techniques of the Resources Management  
System for Operations

Ref: (a) CNO ltr Ser 92SA/87515 of 3 May 1977

Encl: (1) Responses to Survey Questions

1. In response to reference (a), enclosure (1) is submitted herewith. It should be noted that all responses are from the perspective of the Operation and Manpower Division, Comptroller Group, and do not reflect the consolidated responses of many organizations. Therefore, the responses may seem broad in the general scope of things.

2. The contact point in NAVAIR is Mrs. Paula Artabane, Autovon 222-7571.

**H. B. BOLLES**  
By direction



1. What key performance measurement factors are used to evaluate the activities within your command?

The primary measurement tools are obligation rates and manyears of effort expended. Obligations are reported by line item and budget classification code. Line item obligations are made available through the use of NMCSA Runs 390 and 730 and through NAVCOMPT Forms 2171 and 2199 submitted by the respective authorized accounting activities. (NAVCOMPT Forms 2168 and 2169, which are performance reports, are not used by NAVAIR and the requirement for submission has been dropped.)

Obligation rates are closely watched throughout the fiscal year, but particularly at the Midyear Review. (Obligation rates six months into the fiscal year should be approximately 50 - 55%.) If the percent of obligation is low, the program's financial plan may be decreased; conversely, if the rate is justifiably high, the plan may be increased.

Another method of measurement is the level of manyears expended at an individual field activity or Headquarters. Manyears are used in both budget formulation and budget execution. In formulation, manyears are used to price out personnel support costs as well as to justify a starting and ending endstrength. In execution, they are used to monitor actual experience against the budgeted level. Two reports are used in manpower reporting - the 7410 which displays manmonths and personnel costs and the 1532 which reports the onboard level on the last day of each month.

2. Are these factors expressed in both financial and non-financial terms?

Financial only.





3. How is data on these factors collected at the activity level and forwarded to your command?

All reports are channeled through the respective activity's Personnel Office to the Office of Civilian Personnel (1532 and 7410 data) and through the authorized accounting activity to NMCSA (2168, 2169, 2171, and 2199). Copies of all these reports are sent to NAVAIR Headquarters.

4. How often is this data reported from the activity level to your command? How timely is the data?

All reports are submitted monthly. We receive financial reports about 3 weeks after the month's ending and manpower reports much later. The 1532 is usually available about a month after the month's end and the 7410 anywhere between 1½ - 2 months after the close of the reporting period.

5. To what degree is data utilized in the budget formulation and/or budget execution processes?

Manpower: Manpower costs contained in the 7410 are priced out for the full year's cost and appropriately escalated (e.g., payraises, government share of benefits, extra day/day less). The 1532 report is used to report prior year actual onboard.

Funding: Close-out reports processed by NMCSA are the source of prior year actual expenses. Monthly accounting reports are used for analysis of rates of obligation throughout the fiscal year, particularly for the Midyear Review.



6. Which of this data is presented to top management at your command? How is it presented?

Manpower management (AIR-910) receives monthly onboard status from information contained in the 1532.

Obligation rates are presented to AIR-04 (Assistant Command for Logistics/Fleet Support) and AIR-08 (Comptroller) for the Midyear Review and on an as-needed basis.

7. What decisions are made from this data? Who makes these decisions?

Low or high obligation rates are usually indicative of a need to realign resources - this is formally accomplished during the Midyear Review. Decisions to realign funding resources are ultimately made by AIR-04, the O&M,N appropriation sponsor in NAVAIR, based upon the recommendations of the Comptroller.

8. Which data is provided to your funding sponsor? How often is this done?

MAT-012 receives monthly obligation rates by Budget Classification Code.

Data is not normally submitted to OP-92 unless specifically requested.



9. What data is reported to functional sponsors, e.g. MRP to NAVFAC? What do they do with this data? Do you receive any feedback?

We do not report any data on a regular basis to anyone in the Naval Material Command. MAT-012 receives Budget Classification Code reports from NMCSA for whatever purposes they might have.

Program sponsors in OPNAV frequently request information on some of the higher visibility programs (e.g., Aircraft Reworks, Air-Launched Missiles, GSE Rework, etc.) and responses are supplied as requested.

10. What are your bases for performance measurement? How were these bases established? How often are they updated? How are these bases promulgated? What percentage of your funds have performance measures?

This question has been answered in varying degrees in previous questions.

11. What use is made of the cost/performance data at the activity level?

NAVAIR Headquarters has little knowledge of internal activity reporting and monitoring.



12. What is the estimated annual cost of your performance measurement system? Is the cost of data accumulation less than, equal to, or in excess of the benefits derived?

We have no formal internal (automated) system. The benefits of recouping unobligated funding from certain programs for diversion to underfunded programs are obviously greater than manpower effort expended in the accumulation of this data.

13. How can the Navy's Performance Measurement System be improved to meet your needs? Who should take the lead in this improvement effort?

All the systems need to be more timely. By the time the data is received, it is dated, particularly 7410 data. NAVCOMPT should take the lead on improving the timeliness as all the reports we receive are Navy-wide reports.





1023:RJL:de  
7000  
Ser 125-1023  
14 JUN 1977

MEMORANDUM

From: R. Lucey (ELEX 1023 Autovon 222-3262/3)  
Naval Electronic Systems Command  
Washington, DC 20360

To: LCDR J.P. Monson  
SMC 1758  
Naval Postgraduate School  
Monterey, CA 93940

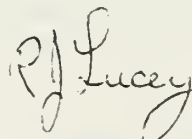
Subj: Performance Measurement Questionnaire

Ref: (a) CNO ltr Ser 92SA/87515 of 3 May 77

Encl: (1) Performance Measurement Questionnaire  
(2) NAVELEXINST 5000.10 of 6 December 1976  
(3) NAVELEXINST 7110.3 of 16 December 1970

1. Enclosure (1) provides responses to information requested by CNO in reference (a). Enclosures (2) and (3) provide directives that are related. (Enclosure (3) is no longer current and is being revised.)

2. It is extremely important to note that NAVELEX field activities are primarily funded under a centrally managed program concept. Under this concept, a great deal of an activity's funding is determined by headquarters program managers. These managers have their own informal performance measurement systems for determining distribution of workload and funding amongst NAVELEX activities. There are probably as many different systems as there are managers.

  
R. J. LUCEY

Copy to:  
ELEX 103



## Performance Measurement Questionnaire

1. What key performance measurement factors are used to evaluate the activities within your command?

Enclosure (2) provides the key performance measurement factors used to evaluate NAVELEX field activities.

2. Are these factors expressed in both financial and non-financial terms?

The factors are expressed in both financial and non-financial terms.

3. How is data on these factors collected at the activity level and forwarded to your command?

The data is collected at the activity level from other reports either submitted in response to the requirements of higher authority, or maintained by the activity for internal management purposes.

4. How often is this data reported from the activity level to your command? How timely is the data?

The data is submitted annually at the end of the fiscal year.

5. To what degree is this data utilized in the budget formulation and/or budget execution processes?

The data is not directly utilized in the budget formulation or budget execution processes, although elements thereof are used for the purposes of field activity management and, indirectly, in both the budget formulation and budget execution processes.

6. Which of this data is presented to top management at your command? How is it presented?

The data received is screened, evaluated, tabulated and presented to top management, usually in the form of a briefing. Supporting backup is left for perusal.

7. What decisions are made from this data? Who makes these decisions?

The Commander and Vice Commander decide which NAVELEX field activity is to receive the award for that fiscal year.

8. Which data is provided to your funding sponsor? How often is this done?

N/A

ENCLOSURE (1)



. Which data is reported to functional sponsors, e.g. MRP to NAVFAC? What do they do with this data? Do you receive any feedback?

N/A

0. What are your bases for performance measurement? How were these bases established? How often are they updated? How are these bases promulgated? What percentage of your funds have performance measures?

The bases for performance measurement are the Performance Evaluation factors expressed in weighted terms in a Performance Evaluation Formula. These bases were established after an extensive study both at the field and headquarters level. Most NAVELEX field activities participated. The bases have been reviewed annually. They are promulgated by a NAVELEX directive, enclosure (2).

1. What use is made of the cost/performance data at the activity level?

Not known.

2. What is the estimated annual cost of your performance measurement system? Is the cost of data accumulation less than, equal to, or in excess of the benefits derived?

Cost considered negligible.

3. How can the Navy's Performance Measurement System be improved to meet your needs? Who should take the lead in this improvement effort?

Since all NAVELEX field activities but one are O&MN Resource Management system funded activities, it is considered that improvements in that system would definitely enhance this command's ability to measure the performance of its field activities.





DEPARTMENT OF THE NAVY  
NAVAL ELECTRONIC SYSTEMS COMMAND  
WASHINGTON, D.C. 20360

NAVELEX INST 5000.10  
ELEX 103  
6 December 1976

NAVELEX INSTRUCTION 5000.10

From: Commander, Naval Electronic Systems Command

Subj: "E" Award Program for NAVELEX Field Activities

Ref: (a) NAVELEX ltr Ser 170-103 of 3 January 1976

Encl: (1) Performance Criteria  
(2) Annual Reporting Requirements

1. Purpose. To provide for continuation of the "E" Award Program established by reference (a).

2. Background. Reference (a) established the "E" Award Program for NAVELEX field activities and provided performance criteria for the FY76 award.

3. Discussion. Performance criteria, included herein as enclosure (1), has been modified to correct deficiencies noted in analyzing submissions for the FY76 award. The activity goals and objectives and the scores in the performance evaluation factors are given appropriate weighting in determining the overall activity ratings. One NAVELEX activity will be selected annually for the award.

4. Action. Addressees will submit the reports required by this directive in accordance with the timing schedule provided in enclosure (2).







# NAVELEX "E" AWARD CRITERIA

## Objective Performance Areas

### Financial Management (10)

<u>Reimbursable Funds Expended</u>	10
<u>Total Funds Expended</u>	
<u>Reimbursable Funds Carryover</u>	(5)
<u>Total Funds Expended</u>	

### Personnel Management (15)

<u>Average Number of People on Board</u>	5
<u>Personnel Ceiling</u>	
<u>Average Grade on 30 September</u>	5
<u>Average Grade Target Assigned</u>	
<u>Minority and Women Permanent Hires and Promotions</u>	5
<u>Hiring and Promotion Opportunities</u>	

### Task Performance (35)

<u>Total Task Completion Milestones Scheduled</u>	14
<u>Task Completion Milestones Missed</u>	
<u>Total Tasks Assigned</u>	14
<u>Number of Tasks Not Completed Within Cost Estimate</u>	
<u>Cost Reduction Value</u>	7
<u>Cost Reduction Goal</u>	

### Efficient Resource Use (30)

<u>Funds Expended Less In-House Labor Costs</u>	15
<u>Total Funds Expended</u>	
<u>Man Years Supported by Operating Funds</u>	5
<u>Personnel Ceiling</u>	
<u>Funds Expended for Commercial Contracts</u>	6
<u>Funds Expended</u>	
<u>Funds Expended for Government Contracts</u>	4
<u>Funds Expended</u>	

ENCLOSURE (1)



et Support (10)

Man Years Worked Aboard Ship  
Average Number of Civilians On Board

10

Subjective Performance Areas

als and Objectives

hievment of the Goals and Objectives

Performance Evaluation Factors

- R = Reimbursable Funds Expended (all but RCPs)
- E = Expense Operating Budget Funds Expended
- F = Total Funds Expended (R+E)
- N = Carryover Funds
- C = 30 September Civilian Ceiling
- P = Number of Civilians On Board Each Month/12  
(include all civilians reportable as FTP and TPT)
- G = Average Grade on 30 September
- A = Assigned Average Grade Target
- H = Number of Minority and Women Permanent Hires and Promotions
- H<sub>1</sub> = Number of Hiring and Promotion Opportunities
- M = Task Completion Milestones Scheduled
- M<sub>1</sub> = Task Completion Milestones Missed
- T = Tasks Assigned
- T<sub>1</sub> = Tasks Not Completed Within Cost Estimate
- V = Dollar Value of Cost Reduction Items Submitted
- P<sub>S</sub> = Funds Expended for In-House Salaries
- X = Man Years Supported by Operating Budget Funds
- Z<sub>1</sub> = Funds Expended for Commercial Contracts
- O<sub>1</sub> = Funds Expended for Government Contracts (less funds transferred  
to other NAVELEX field activities)
- S = Total Man Years Actually Worked Aboard Ships (include contract  
personnel, and personnel from other government activities)



Performance Evaluation Formula

$$\begin{aligned}
 &\text{Financial Management} && \frac{10R}{F} - \frac{5N}{F} \\
 &\text{Personnel Management} && + 5(1 - \frac{|C-P|}{C}) + 5(1 - |G-A|) + 5 \frac{H}{H_1} (*) \\
 &\text{Task Performance} && + \frac{14(M-M_1)}{M} + \frac{14(T-T_1)}{T} + \frac{7V}{.03F} \\
 &\text{Efficient Resource Use} && + \frac{15(F-P_s)}{F} + \frac{5(.5C-X)}{.5C} + \frac{6Z_1}{F} + \frac{4O_1}{F} \\
 &\text{Fleet Support} && + 10 \frac{2S}{P}
 \end{aligned}$$

\* An Average score will be assigned if the activity had no hiring or promotion opportunities during the year.



ANNUAL REPORTING REQUIREMENTS

1. Provide activity goals and objectives for the forthcoming fiscal year. Due 1 September. Initial report due 14 January 1977.
2. Report achievement made during the preceding fiscal year toward fulfilling activity goals and objectives. Due 15 November. Initial report due 15 November 1977.
3. Provide data on each performance evaluation factor. Due 15 November. Initial report due 15 November 1977.
4. Complete the performance evaluation formula. Due 15 November. Initial report due 15 November 1977.

ENCLOSURE (2)







DEPARTMENT OF THE NAVY  
NAVAL ELECTRONIC SYSTEMS COMMAND  
WASHINGTON, D.C. 20360

0123  
01235 File

NAVELEX INST 7110.3  
NAVELEX 0124  
16 December 1970

NAVELEX INSTRUCTION 7110.3

From: Commander, Naval Electronic Systems Command

Subj: Submission of Budget Analysis Information (RCS-7040-1)

- Encl: (1) Funding Estimate Format  
(2) Project Funds Analysis by Fiscal Year  
(3) Reimbursable Funds Analysis

1. Purpose. To set forth the need for more complete and meaningful data on cost estimates and requests for funds, and to establish the requirement for a quarterly report of changes to reimbursable orders.

2. Background. NAVELEX has experienced difficulty responding in depth to questions raised by budget review levels concerning the detailed utilization of NAVELEX funds. Lack of knowledge concerning labor costs (by type of employment), material costs, travel, and the extent of the in and out-of-house effort has hampered thorough budget justification and an accurate computation of graded and ungraded pay raises. Existing reports do not provide sufficient information to satisfy these requirements, therefore it must be obtained from the activity requesting or reporting on the funds and responsible for their utilization. Much of the information needed is already available at the activity level in cost estimates, various reports and fund requests so that little additional effort is required to compile the data in the formats prescribed herein.

3. Action.

a. Funding Estimates. NAVELEX Directorates, Program Managers, staff offices, NAVELEX Divisions and field activities will ensure that funding estimates and fund requests for project efforts include the data elements by fiscal year as shown on enclosure (1). Funds will normally not be requested without providing such information nor issued without receiving it. Within NAVELEX the procedure will be automatic, i.e., a funding estimate will include the required information as a standard procedure. Non-NAVELEX activities performing work or services for the Command will be requested to submit funding estimates in the format of enclosure (1). In those instances where an effort will extend past the end of a fiscal year the estimate will be broken down by each fiscal




16 December 1970

year as shown on enclosure (1). NAVELEX Program and Project Managers and separate offices requesting funds will attach a copy of the funding estimate from the performing activity to the Request for Funding Action before forwarding to ELEX 012. This procedure will apply to the O&M,N appropriation except for PRs and MIPRS issuing funds outside the Department of the Navy. It is applicable to RDT&E,N for funds issued to NAVELEX activities only.

b. Project Funds Analysis. NAVELEX Program and Project Managers and separate offices providing annual information for Budget and Apportionment submissions will provide information in the format of enclosure (2) for each applicable fiscal year as part of the justification for each project in the O&M,N appropriation. The "Prior Year" column of the Budget or Apportionment submission will reflect the actual breakdown of project costs as reported by performing activities on their funding estimates and reports and will be used as the basis for estimates in the "Current Year" and "Budget Year" columns of the submission.

c. Reimbursable Funds Analysis. NAVELEX Divisions and Activities will submit a quarterly report in the format of enclosure (3) to this Headquarters, Attn: ELEX 0124, within 20 working days following the end of each quarter, reflecting the planned utilization of reimbursable orders received during the reporting period. The funds reported in Sections I and II should equal the amount reflected in Account 121 of NVCOMPT Form 2170 to the nearest thousand dollars. The reports will be cumulative which will permit changes in effort to be shown when funding changes, or higher priorities dictate a shift in planned effort. As the fiscal year progresses the updating of each report will reflect the actual utilization of funds versus the previously submitted plan.

4. Reports Control. Reports Control Symbol 7040-1 has been assigned to the reporting requirement in enclosure (3) to this Instruction.

  
B. H. ANDREWS  
Vice Commander

Distribution List  
NAVELEX List 4  
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Washington, D.C. 20390



16 December 1970

ear as shown on enclosure (1). NAVELEX Program and Project Managers and separate offices requesting funds will attach a copy of the funding estimate from the performing activity to the Request for Funding Action before forwarding to ELEX 012. This procedure will apply to the O&M,N appropriation except for PRs and MIPRS issuing funds outside the Department of the Navy. It is applicable to RDT&E,N for funds issued to NAVELEX activities only.

b. Project Funds Analysis. NAVELEX Program and Project Managers and separate offices providing annual information for Budget and Apportionment submissions will provide information in the format of enclosure (2) for each applicable fiscal year as part of the justification for each project in the O&M,N appropriation. The "Prior Year" column of the Budget or Apportionment submission will reflect the actual breakdown of project costs as reported by performing activities on their funding estimates and reports and will be used as the basis for estimates in the "Current Year" and "Budget Year" columns of the submission.

c. Reimbursable Funds Analysis. NAVELEX Divisions and Activities will submit a quarterly report in the format of enclosure (3) to this Headquarters, Attn: ELEX 0124, within 20 working days following the end of each quarter, reflecting the planned utilization of reimbursable orders received during the reporting period. The funds reported in sections I and II should equal the amount reflected in Account 121 of AVCOMPT Form 2170 to the nearest thousand dollars. The reports will be cumulative which will permit changes in effort to be shown when funding changes, or higher priorities dictate a shift in planned effort. As the fiscal year progresses the updating of each report will reflect the actual utilization of funds versus the previously submitted plan.

d. Reports Control. Reports Control Symbol 7040-1 has been assigned to the reporting requirement in enclosure (3) to this Instruction.

D I C I C





NAVELEX INST 7110.3  
16 December 1970

From \_\_\_\_\_  
Project \_\_\_\_\_

FUNDING ESTIMATE FOR FY \_\_\_\_\_

PERFORMING ACTIVITIES	GRADED		UNGRADED		TAD	MATERIAL	COMMERCIAL CONTRACT	OTHER <sup>2/</sup>	TOTAL
	M/M	LABOR \$	M/M	LABOR \$					
NAVELEX IN-HOUSE	_____	\$ _____	_____	\$ _____	_____	\$ _____	_____	\$ _____	\$ _____
OUT-OF-HOUSE <sup>1/</sup>	_____	_____	_____	_____	_____	_____	_____	_____	_____
TOTAL	_____	\$ _____	_____	\$ _____	_____	\$ _____	_____	\$ _____	\$ _____
FUNDING ESTIMATE FOR FY _____ (Carry Over)									
NAVELEX IN-HOUSE	_____	\$ _____	_____	\$ _____	_____	\$ _____	_____	\$ _____	\$ _____
OUT-OF-HOUSE <sup>1/</sup>	_____	_____	_____	_____	_____	_____	_____	_____	_____
TOTAL	_____	\$ _____	_____	\$ _____	_____	\$ _____	_____	\$ _____	\$ _____

Estimated starting date \_\_\_\_\_

Estimated completion date \_\_\_\_\_

(If the completion date falls in the next fiscal year provide an additional format for the estimate of efforts during that FY).

- <sup>1/</sup> Identify performing Navy Activity, e.g., SY Pearl, SRF Guam, PWC Norfolk. Funds issued to government agencies outside the Department of the Navy will be shown in the "Other" column.
- <sup>2/</sup> Explain or identify "Other" costs.

One M/M (Man Month) equals 150 work hours.





FUNDS ANALYSIS FY \_\_\_\_\_

PROJECT \_\_\_\_\_

UNITS*	GRADED		UNGRADED		TAD	MATERIALS	TOTAL
	MAN/YEARS (TENTHS)	LABOR \$ (\$ IN 000)	MAN/YEARS (TENTHS)	LABOR \$ (\$ IN 000)			

ELEX IN-HOUSE (LIST ACTIVITIES)

OUT-OF-HOUSE (LIST ACTIVITIES)

TOTAL

COMMERCIAL CONTRACTS AND OTHER COSTS (PROVIDE EXPLANATION)

TOTAL PROJECT COST \$



From \_\_\_\_\_

SAMPLE

REIMBURSABLE FUNDS ANALYSIS

(\$ in 000)

Section I Planned Effort During FY \_\_\_\_\_

NAVELEX INST 7110.3  
16 December 1970  
RCS 7040-1  
as of \_\_\_\_\_

ISSUING ACTIVITY BY APPROPRIATION	GRADED		UNGRADED		TAD	MATERIAL	CONTRACT	TOTAL
	M/M	LABOR \$	M/M	LABOR \$				

NAVELEX  
O&M,N  
RDT&E  
OPN

MAVSHIPS  
O&M,N  
RDT&E  
SCN

CONSTA ROTA  
O&M,N

ARMY

ITEMS UNDER \$1000

TOTAL

\$ \_\_\_\_\_

Section II Anticipated Carry-over into FY \_\_\_\_\_

NAVELEX  
O&M,N  
OPN

MAVSHIPS  
SCN

TOTAL

\$ \_\_\_\_\_

SAMPLE



Back of Enclosure (3)

Instructions

- . Man months (M/M) and dollars will be reported to the nearest tenth. One M/M equates to 150 work hours.
- . All columns are in-house efforts except "Contract" which includes commercial, shipyards, PWC, and any other source of work outside the reporting Activity.
- . Consolidate all sources of funds under "Items Under \$1000" when projects are less than \$1000.
- . The final report for the fiscal year, as of 30 June, will reflect the actual effort during the year in Section I and the amount of carry-over funds with their anticipated utilization in Section II. The first report of the new fiscal year, as of 30 September, will pick-up those carry-over funds in Section I together with the current fiscal year monies received.





DEPARTMENT OF THE NAVY  
NAVAL SEA SYSTEMS COMMAND  
WASHINGTON, D.C. 20362

IN REPLY REFER TO

074/BBK

Ser 265

JUN 1 9 1977

From: Commander, Naval Sea Systems Command  
To: LCDR J. P. Monson, SMC 1758, Naval Postgraduate School  
Monterey, California 93940

Subj: Use of Financial Management Control Techniques of the Resources  
Management Systems for Operations

Ref: (a) CNO ltr Ser 92SA/87515, 3 May 1977, subject as above

Encl: (1) Response to Outline of Data Requirements

1. Reference (a) requested data on methodology used by major claimants to determine and evaluate activity resources management program. Enclosure (1) is an item by item response to outline of data requirements set forth in enclosure (1) of reference (a).

2. Any questions concerning data may be directed to Mr. Ben B. Kalser, SEA 0742K, Autovon 222-3502/3/4/5. This office would be interested in receiving a copy of the thesis.

KATHLEEN E. HOYT  
By





## RESPONSE TO OUTLINE OF DATA REQUIREMENTS

Q.1. What key performance measurement factors are used to evaluate the activities within your command?

A.1. Basic manyear requirements are computed by comparing current year's progress payments with the projected year's progress payments which have been adjusted to current year dollars. The manyears utilized in the current year are multiplied by the factor derived from the comparison of progress payments. This gives the projected basic manyear requirements for the next year.

The basic manyear requirements are adjusted by utilization of delta factors which are subject opinions of activity managers based on past experience. These deltas include changes in: Ship type; number and type RA/TA; contractor number/density; contractor relationship; material (GFE/GFM); quality assurance; contract administration problems; unadjudicated change orders; productivity; and miscellaneous factors such as foreign military sales; non-mission work; cross-service agreements and special one-time functions that impact manpower utilization/requirements.

Q.2. Are these factors expressed in both financial and non-financial terms?

A.2. The basic requirements use progress payments. The deltas are not financially based.

Q.3. How is data on these factors collected at the activity level and forwarded to your command?

A.3. The basic manyear requirements are computed by the activity Administrative Officer or Fiscal Officer. The deltas along with specific substantiation are submitted by department heads to the Supervisor for review and approval. The total report is consolidated by the Administrative/Fiscal Officer and forwarded to this office.

Q.4. How often is this data from the activity level to your command? How timely is the data?

A.4. This data is submitted annually along with the projected <sup>budget</sup> on 1 April. Due to the way the budget cycle is scheduled, this forces a projection of manpower utilization for April - September of the current year. It is planned to request updates from activities by 1 September if necessary or significant changes in data are apparent.



Q.5. To what degree is this data utilized in the budget formulation and/or budget execution processes?

A.5. The data compiled from this report becomes the basis for budgeting for Personnel Services. Other Line Items other than Personnel Services are: Travel of Personnel; Purchased Equipment Maintenance; Other Purchased Services; Rentals; Other Supplies; Equipment; Printing and Reproduction; Telecommunications; Transportation of Things; and Other Expenses. These costs are obtained from activities through their projected budgets and other reports.

Q.6. Which of this data is presented to top management at your command? How is it presented?

A.6. Summaries of manyear and <sup>end</sup>lead strength requirements are presented to top management in the form of a proposed budget for the SUPSHIP community. Other items enumerated in A.5. are included.

Q.7. What decisions are made from this data? Who makes these decisions?

A.7. Decision is made by personnel of the Plans, Programs & Financial Management/Comptroller Directorate (NAVSEA 01) on personnel ceiling and dollar limitation that will be included in the NAVSEASYSCGM budget.

Q.8. Which data is provided to your funding sponsor? How often is this done?

A.8. The proposed budget for manpower and other expense items are submitted to SEA 015, Operations Appropriations Branch.

Q.9. Which data is reported to functional sponsors, e.g. MRP to NAVFAC? What do they do with this data? Do you receive any feedback?

A.9. SUPSHIP budget is merged with the NAVSEA requirements and submitted to NAVMAT for review and approval. Feedback is in terms of what they are willing to support and forward through the chain of command.

Q.10. What are your bases for performance measurement? How were these bases established? How often are they updated? How are these bases promulgated? What percentage of your funds have performance measures?

A.10. The bases for performance measurement are the comparisons of progress payments, manyears used to accomplish workload and delta factors to account for significant changes. This system evolved from various management studies plus involvement of the activities in development of data input. They are supplemented by workload and staffing surveys to determine specifically how and where manyears were expended.



Updating is done on an "as needed" basis and promulgated through a NAVSEA Instruction.

OPNAV is now in the process of conducting operations analysis surveys of the SUPSHIP community to attempt to establish staffing standards through the SHORSTAMPS/SHOROC Program.

Approximately 90% of the funds managed by SEA 074 are for personnel expenses. If your definition of performance measurement is a quantitative standard such as so many items in so many hours, no such measurement exists. If you accept what is utilized to justify manpower, progress payments as discussed above is our standard.

Q.11. What use is made of the cost/performance data at the activity level?

A.11. Used for self-evaluation and as basis for requesting additional billets and funds from headquarters.

Q.12. What is the estimated annual cost of your performance measurement system? Is the cost of data accumulation less than, equal to, or in excess of the benefits derived?

A.12. System has not been costed since there are too many variables involved. For example, there are 16 SUPSHIPS that range in size from 32 civilians up to 370. Significant changes in workload vary, especially in the repair and overhaul area and when working on a lead ship of a new class/series.

Benefits derived are also varied since the data is used for many purposes. For example, budgets, command briefings, responses to inquiries from Congress, CNO, Navy Audit, Inspector General, and inquiries such as this one.

Q.13. How can the Navy's Performance Measurement System be improved to meet your needs? Who should take the lead in this improvement effort?

A.13. Selected SUPSHIPS are now working on a system of relating manpower needs to level of effort on various classes of ships. It is an attempt to establish a ship-personnel profile. This office is taking the lead in the effort.







DEPARTMENT OF THE NAVY  
NAVAL SUPPLY SYSTEMS COMMAND  
WASHINGTON, D.C. 20376

IN REPLY REFER TO

0111A/MBH

31 MAY 1977

Lieutenant Commander J. P. Monson  
SMC 1758  
Naval Postgraduate School  
Monterey, CA 93940

Re: Use of Financial Management Control (Performance Measurement)  
Techniques of the Resources Management System for Operations

Dear LCDR Monson:

Enclosure (1) is provided in response to the questions forwarded  
in CNO letter of 3 May 1977.

It is requested that NAVSUP (SUP 011) be included in the distribution  
of the thesis.

If further information is required, Mr. Marvin Horoff, SUP 0111A,  
Autovon 225-4033 is the NAVSUP point of contact.

Sincerely,





## DATA ON PERFORMANCE MEASUREMENT

1. The core key performance measurement factors used to evaluate NAVSUP activities are contained in TAB A, NAVSUP Instruction 5220.15 w/CH-1, which shows the index (factor), description, data source, covering instruction, and NAVSUP criteria for measuring performance. On a monthly basis, NAVSUP also evaluates activity output, staffing, and productivity by comparing actual year-to-date performance with the current plan and the previous fiscal year. Additionally, NAVSUP monitors monthly each activity's actual versus planned obligations and staffing. It should be noted that NAVSUP is continually developing new measurement factors to better evaluate activity performance. The performance factors are expressed in both financial and non-financial terms.

2. Data on these factors are primarily collected by Uniform Automated Data Processing Programs at the reporting activities and forwarded in hard copy to NAVSUP. Two main sources of data are the Uniform Management Report (UMR) and the Supply Distribution and Inventory Control Report (NAVSUP Form 1144). TAB B is a copy of an activity UMR. TAB C is NAVCOMPT Notice 7200 which describes the data reported in the UMR. TAB D is the NAVSUP Publication 295 which is an annual consolidation of NAVSUP Form 1144 data. TAB E is NAVSUP Publication 285, Chapter 5, which provides reporting instructions for the NAVSUP Form 1144 and definitions of cost accounts reported in the UMR. Performance data is considered timely since performance data is submitted monthly and is received within three weeks after the end of the reporting period. The data, in addition to providing the basis for performance evaluation, is used extensively in the budget formulation and execution process.

3. Periodic formal briefings (Key Indicator/Productivity) on activity performance are presented to the NAVSUP Executive Board which is comprised of Commander, NAVSUP; Vice Commander, NAVSUP; and Deputy Commanders. The data presented to top management is included in TAB F, a copy of the most recent Stock Point and ICP Key Indicator Brief presented 23 March 1977. During these briefings, activity and system performance problems are identified, adverse trends are highlighted, and improved performance is noted. Decisions on actions which will be taken are made by COMNAVSUP; however, recommended actions are solicited from the Vice Commander and Deputy Commanders. Decisions which may be made include, but are not limited to the following:

a. Headquarters Functional Manager (FM) is directed to further investigate the problem and recommend a course of action to COMNAVSUP.

b. Headquarters FM is directed to visit activity to provide technical assistance.

c. COMNAVSUP directs activity's resources to be increased/decreased.

Enclosure (1)



d. Commanding Officer of the activity having a problem is directed to make a personal assessment of the problem and provide his prognosis for "getting well."

e. COMNAVSUP directs activity to present a detailed problem briefing to the Executive Board.

f. FM is directed to coordinate with another SYSCOM to resolve a problem.

4. On a monthly basis, NAVSUP provides CNM with status of funds and activity performance indicators. In addition, one time situation reports, i.e., funding, workload and productivity data, are provided to CNM.

5. Performance measurement is evaluated on basis of time required to fill fleet demands, system material availability, procurement lead time, etc. which are cited in TAB A and the Stock Point/ICP Key Indicator Brief. Processing times and performance goals are established by higher authority, OSD, CNO, CNM, or by COMNAVSUP for specific areas of performance. Performance bases are revised when directed by higher authority or when COMNAVSUP determines the bases for areas under his cognizance are not realistic. Productivity performance is evaluated at the cost account level and actual performance is tracked against the planned Financial Operating Plan (FOP). The majority of NAVSUP's funds are susceptible to performance measurement.

6. Activities use cost/performance data collected under the Uniform Management Reporting System to make the following operational decisions:

a. Intensify management of areas/functions where poor performance exists.

b. Reallocate personnel based on workload.

c. Implement/revise local operating procedures.

d. Support requests for additional resources from Headquarters.

e. Request Headquarters provide technical assistance.

f. Curtail expenditures of funds, i.e., overtime, travel, training, material.

7. There is no precise method for accurately determining the annual cost of a performance measurement system as performance data collection is an adjunct to the extensive field activity management system procedures of the Naval Supply Systems Command. Benefits derived can best be expressed in quality; how much has fleet support been improved in



quicker response time and in quantity of work units produced such as receipts taken up in storage and issues made, etc.

8. Navy performance can best be improved by increased funding for labor saving devices, such as additional automated warehouse equipment, modernization of facilities and additional staffing which can be dedicated to performance measurement. Each Navy component has to take the initiative in improving performance; however too often resource requests submitted in budget requests for this purpose meet with failure at the budget review levels.

9. TAB G and TAB H are provided for additional information.

TAB A	NAVSUPINST 5220.15 w/CH-1; Subj: Status of Supply Subsystems- Performance Standards
B	Naval Supply Center Uniform Management Report
C	NAVCOMPTNOTE 7200; Subj: Navy-wide Uniform Management Report
D	NAVSUP PUB 295 - Inventory Control Operations at Supply Distribution Activities
E	PUB 285, Chapter 5 - Supply Management Reporting
F	Stock Point and ICP Key Indicators Presentation
G	NAVSUPINST 5220.11C; Subj: Quality Control Program
H	NAVSUP ltr of 7 Sep 1976; Subj: Establishment of the Naval Supply Systems Command Productivity Improvement and Enhancement Program







DEPARTMENT OF THE NAVY  
NAVAL SUPPLY SYSTEMS COMMAND  
WASHINGTON, D. C. 20376

NAVSUPINST 5220.15  
SUP OLLG  
JUN 13 1975

NAVSUP INSTRUCTION 5220.15

Subj: Status of Supply Subsystems - Performance Standards

Ref; (a) NAVMATINST 5460.2 (NOTAL)

Encl: (1) Indices contained in the Status of Supply Subsystems

1. Purpose. To provide for distribution and use of NAVSUPSYSCOM (Naval Supply Systems Command) indices and key indicators of supply performance.

2. Background. The Chief of Naval Material, in reference (a), has directed that NAVSUPSYSCOM be responsible for an integrated and comprehensive Navy Supply System. In executing this responsibility, certain indices and key indicators are used to evaluate supply performance.

3. Discussion. Different standards for performance are applied at various time intervals, and by different levels of management. The justification for this information is that management be aware of actual performance and initiate timely improvement actions. Enclosure (1) defines key indicators that measure supply performance on a monthly basis.

a. Actual performance, compared to the indicators in enclosure (1), is distributed in a monthly Status of Supply Subsystems brochure. Management is expected to use this information in maintaining effective supply operations.

b. Addressees are encouraged to provide feed-back information to NAVSUP, particularly when actual performance is less than the standard.

c. The indicators listed in enclosure (1) may be modified, deleted or expanded with the approval of COMNAVSUP.

4. Action. Addressees will utilize enclosure (1) and the Status of Supply Subsystems as a basis for maintaining/improving supply operations.





NAVSUPINST 5220.15

**JUN 13 1975**

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# INDICES CONTAINED IN STATUS OF SUPPLY SUBSYSTEMS

## WHOLESALE SYSTEM AVAILABILITY

<u>Index</u>	<u>Definition</u>	<u>Data Source</u>	<u>Instructions</u>
System Availability	<p>The percentage of demands, received at any stock point in the wholesale system, filled by that or any other point within the same system. The criteria established by NAVSUP is:</p> <p>Green - 85%  Yellow - 75%-84%  Red - Below 75%</p> <p>Unique criteria is established for NPFC Publications (cog <math>\phi</math>I):</p> <p>Green - 95%  Yellow - 85%-94%  Red - Below 85%</p> <p>The percentage of initial entry demand requests, which is available for immediate issue of all or part of the total quantity requested. (Data used for trend analysis.)</p> <p>Total number of all demands received during the month.</p>	UICP Application/ Operation M-67	MILSTEP DOD 4000.23M
Point-of-Entry Availability		UICP Application/ Operation M-67	MILSTEP DOD 4000.23M
Total Demands		UICP Application/ Operation M-67	MILSTEP DOD 4000.23M

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Enclosure (1)



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WHOLESALE SYSTEM AVAILABILITY (con't)

<u>Index</u>	<u>Definition</u>	<u>Data Source</u>	<u>Instructions</u>
Material Obligations Outstanding (MOO)	Requests not immediately available for issue, but recorded as a material obligation for future issue. MOO's include backorders and direct vendor deliveries. The upper limit goal established by NAVSUP is:  ASO      122,000 requests SFCC      70,000 requests	UICP Application/	MILSTEP DOD 4000.23M
Backorders	That portion of requests not immediately available for issue to the requisitioner and will be recorded as a commitment for future issue of stocked items.	UICP Application/ Operation M-67	MILSTEP DOD 4000.23M
Direct Vendor Delivery	A transaction for the quantity of a material item requisitioned which is not immediately available for issue which is processed for purchase and direct delivery to ordering activities.	UICP Application/ Operation M-67	MILSTEP DOD 4000.23M



# STOCK POINTS

<u>Index</u>	<u>Definition</u>	<u>Data Source</u>	<u>Instructions</u>
Receipt Processing	<p>The percentage of receipts completed within 0-7 calendar days. The criteria established by NAVSUP is:</p> <p>Process regular receipts to Stock Records/Storage</p> <p>Green - 85%-100% in 0-7 calendar days</p> <p>Yellow - 85%-100% in 0-10 calendar days</p> <p>Red - 85% in 0-20 calendar days</p> <p>Process MTIS receipts to Stock Records - same criteria as shown for Regular Receipts</p> <p>Process MTIS receipts to storage</p> <p>Green - 75%-100% in 0-7 calendar days</p> <p>Yellow - 75%-100% in 0-10 calendar days</p> <p>Red - 75% in 0-20 calendar days</p>	NAVSUP 1144	NAVSUP PUB 285, Chap 5, Sec 3, Para 52304
Issue Processing	<p>The percentage of issue documents shipped on time in conformation with established standards. The criteria established by NAVSUP is:</p> <p>Green - 92%-100%</p> <p>Yellow - 85%-91%</p> <p>Red - Under 85%</p>	NAVSUP 1144 Report	NAVSUP PUB 285, Chap 5, Sec 3, Para 52303.4a

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STOCK POINTS (cont.)

<u>Index</u>	<u>Definition</u>	<u>Data Source</u>	<u>Instructions</u>
Warehouse Refusal	<p>A condition caused by the inability of a stock point to satisfy a demand because the required material, available on the stock record, is either not on hand or cannot be located. The criteria established by NAVSUP is:</p> <p>Green - 0%-1.0%  Yellow - 1.1%-2.0%  Red - Over 2.0%</p>	NAVSUP 1144 Report	NAVSUP PUB 285, Chap 5, Sec 3, Para 52303.11
Retail System Availability (Technical)	<p>The percentage of issues made on demand for stocked Navy managed retail technical type items - Cogs: 9A, 9C, 9G, 9N, 9Q, 9Z. The criteria established by NAVSUP is:</p> <p>Green - 85%-100%  Yellow - 75%-84%  Red - Under 75%</p>	NAVSUP 1144 Report	NAVSUP PUB 285, Chap 5, Sec 3, Para 52303.11

Enclosure (1)



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<u>Index</u>	<u>Definition</u>	<u>Data Source</u>	<u>Instruction</u>
RIS Activities Accounting Indicators		(NC 2129)	NAVSUP 285- 43202

Material in Transit  
Value of Material in Transit divided by the average monthly expenditure (3 latest months) expresses time (in months) to liquidate Material in Transit.

Accounts Payable  
Value of Accounts Payable divided by the Average monthly expenditures (3 latest months) expresses time (in months) to liquidate Accounts Payable Outstanding.

The criteria established by NAVSUP is:

Green	-	<	.5	Month
Yellow	-	>	.5	< 1.0 Month
Red	-	>	1.0	Month



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<u>Data Source</u>	<u>Instruction</u>
NAVCOMPT 146 Report Unmatched Receipt/Summary	NAVCOMPT 034426

<u>Index</u>	<u>Definition</u>
Unmatched OSO Summary Invoices over 6 Months old	The percentage of Unmatched OSO Summary Invoices over 6 months old in relation to the total unmatched Summary Invoices.

The criteria established by NAVSUP is:

Green	-	<	50%
Yellow	-	≥	50%
Red	-	>	60%



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<u>Index</u>	<u>Definitions</u>	<u>Data Source</u>	<u>Instruction</u>
NSA Accounting FIR Adjustments	<p>The percentage of FIR Adjustments to Dollar Value of Thru-Put.</p> <p>The criteria established by NAVSUP is:</p> <p>Green - <math>\leq</math> 1.1%  Yellow - <math>&gt;</math> 1.1% <math>&lt;</math> 2.0%  Red - <math>\geq</math> 2.0%</p>	<p>FIR (NAVCOMPT 2154) (2336 NSF Budget Project)</p>	<p>NAVCOMPT 034100-101  NAVSUP 285 43202</p>

APA Accounting FIR Adjustments	<p>The percentage of FIR Adjustments to Dollar Value of Thru-Put.</p> <p>The criteria established by NAVSUP is:</p> <p>Green - <math>\leq</math> 1.1%  Yellow - <math>&gt;</math> 1.1% <math>&lt;</math> 2.0%  Red - <math>\geq</math> 2.0%</p>	<p>FIR (NAVCOMPT 2154) (2336 NSF Budget Project)</p>	<p>NAVCOMPT 034100-101  NAVSUP 285 43202</p>
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<u>Index</u>	<u>Data Source</u>	<u>Instruction</u>
Financial Edit Exceptions	Letter report	NAVSUP PUB 285, CH 5, Part B

Definition

The percentage of financial edit exceptions to Line Items Issued.

The criteria established by NAVSUP is:

Green	-	<	3%	<	4%
Yellow	-	>	3%	<	4%
Red	-	>	4%		



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<u>Data</u>	<u>Instruction</u>
<u>Source</u>	
(2336 NSF by Budget Project)	NAVSUP-285-42302

Definition

Value of Accounts Payable divided by the average monthly disbursements (3 latest months) expresses time (in months) to liquidate Accounts Payable outstanding.

The criteria established by NAVSUP is:

Green	-	<	.5	Month
Yellow	-	≥	.5	< 1.0 Month
Red	-	≥	1.0	Month

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ICP's  
NSF Accounts  
Payable



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<u>Data Source</u>	<u>Instruction</u>
(2336 NSF by Budget Project)	NAVSUP-285-43202

Definition

Value of Material in Transit divided by the average monthly expenditure (3 latest months) expresses time (in months) to liquidate Material in Transit.

The criteria established by NAVSUP is:

Green	-	<	.5	Month
Yellow	-	>	.5	< 1.0 Month
Red	-	>	1.0	Month

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ICP's NSF  
Material in Transit



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<p><u>Index</u></p> <p>ICPs NSF Undistributed Disbursements</p>	<p><u>Definition</u></p> <p>Value of Undistributed Disbursements divided by Average monthly Disbursements (3 latest months) expresses time (in months) to liquidate Disbursements outstanding.</p>	<p><u>Data Source</u></p> <p>(2336 NSF by Budget Project)</p>	<p><u>Instruction</u></p> <p>NAVSUP 285-43202</p>
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The criteria established by NAVSUP is:

Green	-	<	.5 Month
Yellow	-	≥	.5 < 1.0 Month
Red	-	≥	1.0 Month





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<u>Data Source</u>	<u>Instruction</u>
FIR NAVCOMPT 2154	NAVCOMPT Manual Volume 3, Chapter 4

Definition

SERVMART Stock Turn is a ratio of sales to inventory on a yearly basis.

The criteria established by NAVSUP is:

Green	-	$\geq$	6
Yellow	-	$\geq$	4
Red	-	$<$	4

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SERVMART  
Stock Turn



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<u>Index</u>	<u>Definition</u>	<u>Data Source</u>	<u>Instruction</u>
MTIS Backlog	MTIS backlog compared to MTIS line items processed during the month results in Man-Months of Backlog.	Advance Supply Management Data Report	NAVSUP PUB 285 Chapter 5, Part B Section 3

The criteria established by NAVSUP is:

Green	-	< 1 Month
Yellow	-	> 1 MO $\leq$ 1.5
Red	-	> 1.5 MO



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<u>Index</u>	<u>Definition</u>	<u>Data Source</u>	<u>Instruction</u>
Bounceback Rate	Bounceback Rate is the Percentage of Referrals which are returned for action to the ICP.	ICP's	NAVSUPINST 5220.7

The criteria established by NAVSUP is:

Green -  $\leq 3$   
Yellow -  $> 3 \leq 5$   
Red -  $> 5$



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<u>Index</u>	<u>Definition</u>	<u>Data Source</u>	<u>Instruction</u>
Pipeline Effectiveness	Pipeline Effectiveness as a percentage of requisitions filled within UMMIPS Standards.	MILSTEP	NAVSUP PUB 437

Time is measured from requisition date until time of receipt of material by consignee transportation officer.

The criteria established by NAVSUP is:

Green	-	≥	92
Yellow	-	≥	85 < 92
Red	-	<	85





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<u>Index</u>	<u>Definition</u>	<u>Data Source</u>	<u>Instruction</u>
Locator Record Accuracy (Material to locator record)	Total number of location discrepancies divided by the total number of locations surveyed.	LAP Quarterly Reports RCS 4440-72.2 Form #1339 MAT Location Audit	NAVSUPINST 4453.2B
Location Audit Reconciliation Accuracy Rate	The ratio of the number of locator records with errors to the total number of accountable number of records reconciled.	LAP Quarterly Reports RCS 4440-72.2 Form #1339 MAT Location Audit	NAVSUPINST 4453.2B

The criteria established by NAVSUP is:

Green	-	≥	97%
Yellow	-	≥	93%
Red	-	<	93%



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<u>Data Source</u>	<u>Instructions</u>
Reports of Inventory (NAVSUP Form 1310)	NAVSUPINST 4440.115E DODINST 4140.35

Definition

Index

Physical Inventory Program

# Line Items Inventoried

Number of Line Items inventoried/ sampled.

Inventory Count Accuracy Rate

The percent of scheduled inventories completed which did not have major discrepancies.

The criteria established by NAVSUP is:

Green	-	≥	90%
Yellow	-	≥	80%
Red	-	<	80%

Gross Adjustment \$ Value

Gross adjustments as a percent of value of line items inventoried.

The criteria established by NAVSUP is:

Green	-	≤	3%
Yellow	-	>	3%
Red	-	>	5%



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<u>Index</u>	<u>Definition</u>	<u>Data Source</u>	<u>Instruction</u>
Requisition Priority Distribution	Requisition Priority Distribution for Issue Groups I and II compared to Limitations by Category.	UMMIPS Report Symbol OPNAV 4614-2	OPNAVINST 4614.14 OP-412G of 29 Jul 1975

The criteria established by NAVSUP is:

- Green -  $\leq$  Limitation
- Yellow -  $>$  Limitation  $\leq$  Limitation plus 15%
- Red -  $>$  Limitation plus 15%





DEPARTMENT OF THE NAVY  
NAVAL SUPPLY SYSTEMS COMMAND  
WASHINGTON, D.C. 20376

IN REPLY REFER TO

0111B/JFS

7 SEP 1976

From: Commander, Naval Supply Systems Command

Subj: Establishment of the Naval Supply Systems Command Productivity Improvement and Enhancement Program

Ref: (a) NAVSUP ltr of 23 Dec 1975, Productivity Improvement at the NSCs (NOTAL)  
(b) NAVSUP ltr of 19 Mar 1976, Productivity Measurement and Improvement at the ICPs (NOTAL)

Encl: (1) Guidelines for the Development and Application of Productivity Improvement

1. References (a) and (b) emphasized the need for productivity improvement and its integration into the O&M,N resource allocation process. Productivity will be used as a prime consideration in allocating scarce resources at NAVSUP activities.

2. One of the objectives of implementing a NAVSUP Productivity Improvement and Enhancement Program is to measure and identify changes in activity productivity utilizing output performance indicators. As significant variations in performance are noted and analyzed, problem areas should be identified and corrective action taken.

3. Enclosure (1) is provided as interim guidance for NAVSUP's Productivity Improvement Program until a NAVSUP Instruction is published. Salient points reflected in this enclosure provide for:

a. Maintaining management/industrial engineering capabilities for productivity measurement and improvement.

b. Considering productivity factors in resource allocation process.

c. Emphasizing identification and funding of fast payback capital investment opportunities.

4. Action. Addressees are responsible for the following:

a. Establishing annual productivity improvement goals of at least 1.5% per year and incorporating these improvements in activity Financial Operating Plan.

TAC -





Subj.: Establishment of the Naval Supply Systems Command Productivity Improvement and Enhancement Program

b. Maintaining performance standards (statistical or engineered) on a current basis and ensuring their use by operating personnel.

c. Establishing internal controls and audit procedures to ensure the adequacy, reliability, and effectiveness of the work measurement system including work unit counts and man-hour accounting.

d. Assuring that personnel applying work measurement techniques are adequately trained.

e. Conducting productivity studies to exploit increases or investigate declines in productivity.

5. For further information on NAVSUP's Productivity Improvement Program, contact Mr. Joseph F. Stallknecht, SUP 0111B, Autovon 225-4033.



## GUIDELINES FOR THE DEVELOPMENT AND APPLICATION OF PRODUCTIVITY IMPROVEMENT

The following guidelines will be utilized in developing and applying the concepts of productivity improvement:

1. Resource Allocation. Apply productivity improvement measures to optimize allocation of resources. Measure workload and productivity accurately to ensure valid reporting and full consideration of manpower/funding requirements.
2. Work Measurement Capability. Utilize personnel trained in industrial/management engineering techniques to obtain maximum benefit from the work measurement system.
3. Productivity Principal. Designate a Productivity Principal who will be responsible for implementing the requirements of NAVSUP's Productivity Improvement Program and coordinate internal productivity enhancement, measurement, and evaluation efforts.
4. Productivity Goals. Establish realistic productivity improvement goals (1.5%) and monitor progress to ensure goal achievement.
5. Performance Standards. Develop and use appropriate types and levels of performance standards consistent with management needs. Detailed labor performance standards covering individual tasks, jobs, and operations are appropriate for use at the work center level for workload planning and balancing of resources. Summary/statistical standards are utilized to cover broader work segments and used in allocating resources.
6. Standard Data. Maximize use of standard time data in establishing standards.
7. Idea/Information Exchange. Exchange information within/between activities regarding new developments and technology associated with productivity enhancement, measurement, and evaluation.
8. Training. Utilize training to sustain a viable productivity program. (Specialized courses such as the Defense Work Measurement Standard Time Data Course offered at the Army Management Engineering Training Agency (AMETA) are available to improve the skills of work measurement analysts/technicians).
9. Fast Payback Capital Investment Opportunities. Emphasize capital investment planning including the timely identification and funding of fast payback productivity improvement equipment.



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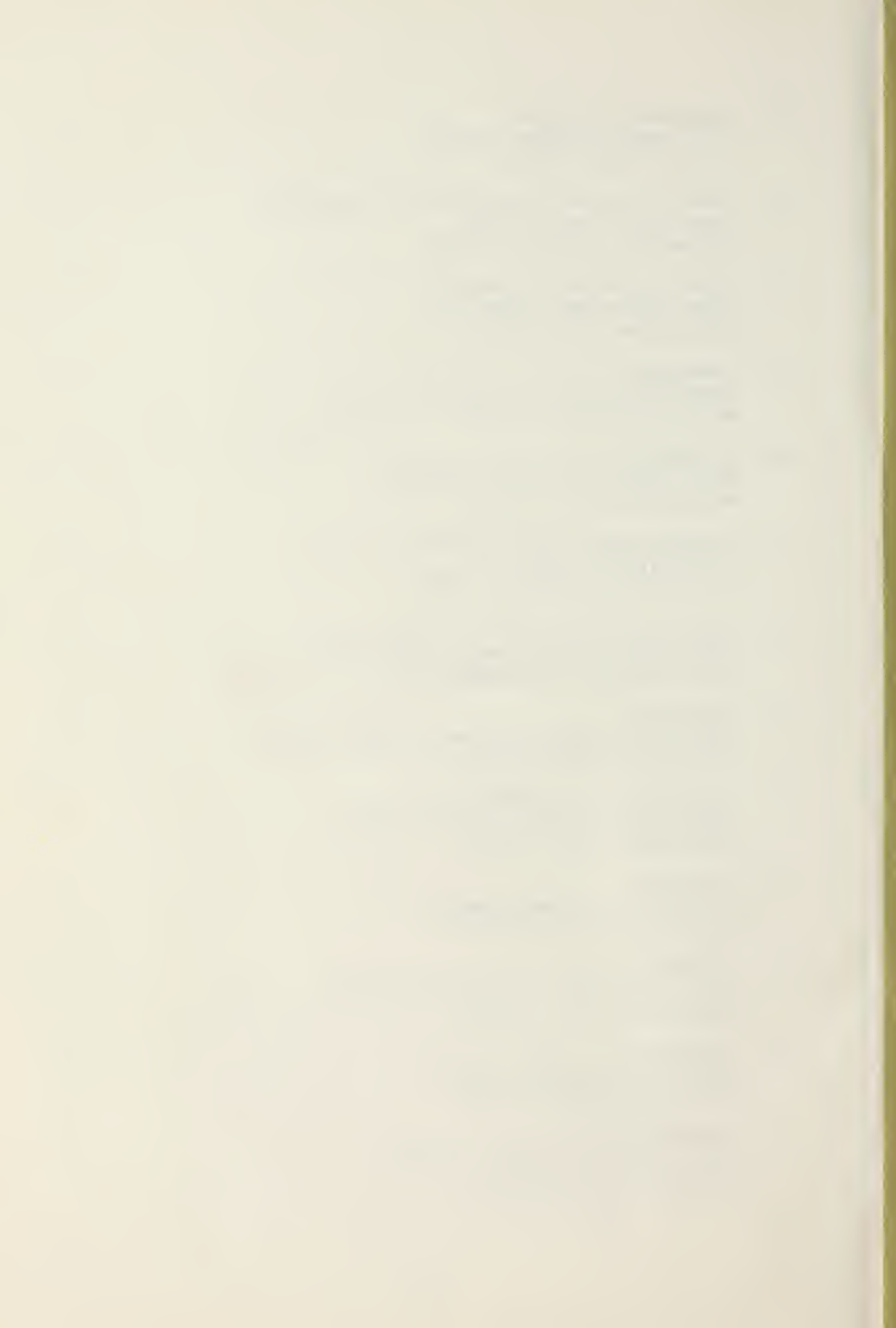


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| 23. | Commander<br>Naval Sea Systems Command<br>Washington, D.C. 20362                            | 1 |
| 24. | Commander<br>Naval Supply Systems Command<br>Washington, D.C. 20376                         | 1 |



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